

SESSION 2023  **9906837425**

QUESTION BANK

UGC

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15,000 MCQs

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**SESSION
2023**

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COPYRIGHT

The Copyright Act, 1957 came into effect from January 1958. This Act has been amended five times since then, i.e., in 1983, 1984, 1992, 1994, 1999 and 2012. The Copyright (Amendment) Act, 2012 is the most substantial. The main reasons for amendments to the Copyright Act, 1957 include to bring the Act in conformity with WCT and WPPT; to protect the Music and Film Industry and address its concerns; to address the concerns of the physically disabled and to protect the interests of the author of any work; Incidental changes; to remove operational facilities; and enforcement of rights. Some of the important amendments to the Copyright Act in 2012 are extension of copyright protection in the digital environment such as penalties for circumvention of technological protection measures and rights management information, and liability of internet service provider and introduction of statutory licences for cover versions and broadcasting organizations; ensuring right to receive royalties for authors, and music composers, exclusive economic and moral rights to performers, equal membership rights in copyright societies for authors and other right owners and exception of copyrights for physically disabled to access any works.

Prior to the Act of 1957, the Law of Copyrights in the country was governed by the Copyright Act of 1914. This Act was essentially the extension of the British Copyright Act, 1911 to India. Even the Copyright Act, 1957 borrowed extensively from the new Copyright Act of the United Kingdom of 1956. The Copyright Act, 1957 continues with the common law traditions. Developments elsewhere have brought about certain degree of convergence in copyright regimes in the developed world.

The Indian Copyright Act today is compliant with most international conventions and treaties in the field of copyrights. India is a member of the Berne Convention of 1886 (as modified at Paris in 1971), the Universal Copyright Convention of 1951 and the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement of 1995. Though India is not a member of the Rome Convention of 1961, the Copyright Act, 1957 is fully compliant with the Rome Convention provisions.

The two Internet Treaties were negotiated in 1996 under the auspices of the World Intellectual Property Organization (WIPO). These treaties are called the 'WIPO Copyrights Treaty (WCT)' and the 'WIPO Performances and Phonograms Treaty (WPPT)'. These treaties were negotiated essentially to provide for protection of the rights of copyright holders, performers and producers of phonograms in the Internet and digital era. India is not a member of these treaties; amendments are being mooted to make Act in compliant with the above treaties in order to provide protection to copyright in the digital era. Though India is not a member of the WCT and the WPPT, the Copyright Act, 1957 is fully compliant with the Rome Convention provisions. The provisions of the Act is also in harmony with two other new WIPO treaties namely, the Beijing Audiovisual Performers treaty, 2012 and the Marrakesh Treaty to Facilitate Access to Published Works by Visually Impaired or Otherwise Print Disabled Persons, 2013.

The Copyright Rules, 2013 was notified on 14 March, 2013 replacing the old Copyright Rules, 1958. The Rules, inter alia, provide for procedure for relinquishment of Copyright; grant of compulsory licences in the matter of work withheld from public; to publish or republish works (in certain circumstances); to produce and publish a translation of a literary or dramatic work in any language; licence for benefit of disabled; grant statutory licence for cover versions; grant of statutory licence for broadcasting literary and musical works and sound recordings; registration of copyright societies and copyright registration.

PREFACE

I am glad indeed to place this title **MCQ NTA COMMERCE 4ND EDITION** in the hands of those students who are preparing for UGC NTA exam.

This book is written strictly according to the prescribed according to the new syllabus. In preparing this book, I have freely drawn the material both from the books of Indian & foreign authors.

The book is divided into 12 units.

I request every teacher and the taught to bring such mistakes to the notice of the author so that they can be redressed in the next edition.

I welcome every constructive suggestion that goes in improving the quality of the work and the utility of the book.

2023

Srinagar-J&K

190001

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MCQS

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UNIT-1

BUSINESS ENVIRONMENT

1. From the following statements of Assertion (A) and Reasoning, indicate the correct code
 Assertion (A): Industrial liberalization became an imperative condition for the growth of forces of competition leading to high efficiency and productivity in Indian industries.
 Reason (R): Industrial development and curbing of poverty is only possible through government interventions.
 Codes:

1. (A) and (R) both are not correct
2. (A) is correct but (R) is not the correct explanation of (A)
3. (A) is correct and (R) is correct explanation of (A)
4. (A) is not correct but (R) is correct.

Answer: 2

2. Which of the following statements are not correct?

Statement (I): Sustainable development means an attempt to achieve the balance between economic growth and conservation or protection of environment.

Statement (II): Sustainable development means meeting the needs of industries without compromising the needs of import export balancing.

Statement (III): Sustainable development means creation of sufficient surplus budgets through stock of capital assets including land.

Codes:

1. Statement (I) and (III)
2. Statement (II) and (III)
3. Statement (I) and (II)
4. Statement (I) (II) (III)

Answer: 2

3. Match items of list I with list II relating to macro environment of business and indicate the code of correct matching:

List-I

- a. Economic environment
- b. Political and government
- c. Socio culture environment
- d. Demographic environment

list-II

- (i) ethical issues
- (ii) trade and transport policies environment
- (iii) economic stratification of population
- (iv) judiciary powers

Codes: (a) (b) (c) (d)

- | | | | | |
|-----|-------|-------|-------|-------|
| (1) | (ii) | (iv) | (i) | (iii) |
| (2) | (i) | (iii) | (ii) | (iv) |
| (3) | (iv) | (ii) | (iii) | (i) |
| (4) | (iii) | (i) | (iv) | (ii) |

Answer: 1

4. For which one of the basic reasons, the "structure adjustment programme" was undertaken in India in 1991?

1. Curbing competition among private sector.
2. Establishing predominant role of public sector
3. Establishing a free market economy
4. Regional balancing through planning and licensing

Answer: 3

5. Match the items of List-I with list-II and indicate the correct code of matching:

List-I

List-II

- | | |
|-------------------------------|------------------------------------|
| a. Micro external environment | (i) economic and political factors |
|-------------------------------|------------------------------------|

- b. Macro external environment income of consumers (ii) competition among diverse product targeting disposable
- c. Non-price competition (iii) input suppliers
- d. Desire competition (iv) sponsoring of events like sports

Codes: (a) (b) (c) (d)

1.	(iii)	(i)	(iv)	(ii)
2.	(ii)	(iii)	(iv)	(i)
3.	(iv)	(ii)	(iii)	(i)
4.	(iv)	(i)	(ii)	(iii)

Answer: 1

6. Assertion (A): Buyers for several industries, are potential competitors they may integrate backwards.
Reasoning ®: they have different degrees of bargaining power.

Codes:

- (A) and ® are correct ® is the correct explanation of (A)
- (A) and ® are correct but ® is not the correct explanation of (A)
- (A) is incorrect while ® is a correct statement
- Both (A) and ® are correct.

Answer: 1

7. Which one of the following is the governing factor in deciding the type of redressal agency which will deal with the dispute of a consumer?

- Area of sales of goods and services
- Type of goods and services sold
- The choice of the consumer
- The value of goods and services sold

Answer: 4

8. Match list-I with list-II relating to the roles played by government in an economy and indicate the correct code of their matching.

List-I

List-II

- | | |
|-------------------------|---|
| a. Regulatory role | (i) deciding timing and usage of resources |
| b. Promotional role | (ii) capital intensive projects of public sector |
| c. Entrepreneurial role | (iii) imposing of high import duty |
| d. Planning role | (iv) measures to control risk in priority sectors |

	(a)	(b)	(c)	(d)
1.	(iv)	(ii)	(i)	(iii)
2.	(iii)	(i)	(iv)	(ii)
3.	(iii)	(iv)	(ii)	(i)
4.	(i)	(iii)	(iv)	(ii)

Answer: 3

9. Which one of the following statement is not correct relating to competition policy and law?

- Collusion and dominance have potential for unfair competition.
- The appeal against decision of competition commission of India can be made to the competition appellate tribunal
- State monopolies, government's business policies and functioning of regulatory authorities cannot be scrutinized under this law
- Abuse of dominance rather than dominance should be the key for competition policy or law

Answer: 3

10. Statement (I): Developing countries can borrow more than their quota under extended fund facility (Eff) of IMF

Statement (II); the extended fund facility was created in 1984 to help the developing countries over longer period upto 3 years.

Codes:

- Statement (I) is correct but (II) is not correct

2. Statement (II) is correct but (I) is not correct
3. Both the statements (I) and (II) are correct
4. Both the statements (I) and (II) are not correct

Answer: 1

11. Assertion (A): Liberalisation means to reduce unnecessary restrictions and controls on business units imposed by government.

Reason (R): Liberalisation was based on the assumption that market forces could guide the economy in a more efficient manner than government control.

Codes:

- a. Both (A) & (R) are true and (R) is the correct explanation of (A).
- b. Both (A) & (R) are true but (R) is not the correct explanation of (A).
- c. (A) is true but (R) is false.
- d. (A) is false but (R) is true.

Answer: a

Explanation- Liberalisation means to reduce unnecessary restrictions and controls on business units imposed by government. It means procedural simplification, relaxing trade and industry from unnecessary bureaucratic hurdles. Prior to 1991, government has imposed several types of controls on Indian economy e.g., industrial licensing system; price control, import licence, foreign exchange control etc. Economic reforms made an attempt to reduce restrictions imposed on the economy.

12. Assertion (A): Privatisation means allowing the private sector to set up more and more of such industries as were previously reserved for public sector.

Reason (R): Under it, existing enterprises of the public sector are either wholly or partially sold to private sector.

Codes:

- a. Both (A) & (R) are true and (R) is the correct explanation of (A).
- b. Both (A) & (R) are true but (R) is not the correct explanation of (A).
- c. (A) is true but (R) is false.
- d. (A) is false but (R) is true.

Answer: A

Explanation: privatization of industries means opening the gates of public sector to private sector.

13. Assertion (A): Globalization means linking the economy of a country with the economies of other countries by means of free trade, free mobility of capital and labour.

Reason (R): It also means inviting multinational corporations to invest in the nation.

Codes:

- a. Both (A) & (R) are true and (R) is the correct explanation of (A).
- b. Both (A) & (R) are true but (R) is not the correct explanation of (A).
- c. (A) is true but (R) is false.
- d. (A) is false but (R) is true.

Answer: A

14. Which of the following statement is incorrect:

- a. 1938: 'National Planning Committee' was established under the chairmanship of Jawahar Lal Nehru by the Indian National Congress. Its recommendations could not be implemented because of the beginning of the Second World War and changes in the Indian political situation.
- b. 1944: 'Gandhian Plan' was given by Shriman Narayan Agarwal.
- c. 1945: 'People's Plan' was given by M N Roy.
- d. 1950: 'Sarvodaya Plan' was given by J P Narayan. A few points of this plan were accepted by the Government.
- e. None of the above

Answer: E

15. Which one of the following is correct:

- a. The Planning Commission was set – up on March 15, 1950 under the chairmanship of JL Nehru, by a resolution of Union Cabinet.
- b. It is an extra – constitutional, non – statutory body. (i.e., No provision in Constitution for its formulation.)
- c. It consists of Prime Minister as the ex – officio Chairman, one Deputy – Chairman appointed by the PM and some full time members.
- d. All of the above

Answer: d

16. Assertion (A): Disinvestment trends to arouse opposition from employees.

Reason (R): It may increase the cost of production.

- a. Both A & R are true
- b. A is true but R is false
- c. Both A & R are false.
- d. A is false but R is true.

Answer: c

17. Assertion (A). The GATT applied only to trade in merchandise goods.

Reason (R). the WTO covers trade in goods, services and trade in ideas or intellectual properties.

- a. Both A & R are true and R is the correct explanation of A.
- b. Both A & R are true and R is not the correct explanation of A.
- c. A is true but R is false.
- d. A is false but R is true.

Answer: A

18. Assertion (A). Private location process leads to change in management with change in ownership.

Reason (R). Change in management is not a necessary condition for the process of privatization.

Code:

- a. Both A and R are correct
- b. A is correct but R is incorrect
- c. A is incorrect but R is correct
- d. Both A & R are incorrect.

Answer: B

19. Consider the following statements

I. Economic development is a broader and normative concept. It concerns with structural change in economy

II. Economic growth is a narrow concept. It concerns with increase in the economy's output.

Which of the statement given above is or are correct?

- a. Only I
- b. Only II
- c. Both I & II
- d. None of these

Answer: c

20. The term 'Hindu rate of growth' refers to the 3.70% per annum growth rate achieved by the Indian economy over the first six five year plans'. The term was coined by

- a. JN Bhagwati
- b. KN Raj
- c. Raj Krishna
- d. S. Chakravarty

Answer: c

21. The rolling plan concept in Nation Planning was introduced by

- a. Indira Gandhi Government
- b. The National Government
- c. The Janata Party Government
- d. Rajiv Gandhi Government

Answer: c

22. Assertion (A). Industrial policy 1991 initiated liberalization of Indian economy.
Reason (R). Industrial growth was very slow before 1991.

Code:

- Both A & R are true & R is the correct explanation of A.
- Both A & R are true but R is not the correct explanation of A.
- A is true but R is false.
- A is false but R is true.

Answer: A

23. Assertion (A). Domestic competition has increased since 1991.
Reason (R). Except for 7 industries, rest has delicensed.

Code:

- Both A & R are true and R is the correct explanation of A.
- Both A & R are true but R is not the correct explanation of A.
- A is true but R is false.
- A is false but R is true.

Answer: A

24. Match the following two lists of Statements:

List -I	List-II
a. When one company purchase other one	i. Conglomeration merger
b. Merger between two companies having no common between areas.	ii. Consolidation merger.
c. Merger between two companies that sell the same products in different markets.	iii. Purchase merger
d. Two companies are bought and combined under now entity.	iv. Market extention merger.

Codes:

- | | A | b | c | d |
|----|-----|-----|-----|----|
| a. | Iii | iv | I | ii |
| b. | Iv | iii | ii | I |
| c. | Ii | I | iii | iv |
| d. | I | ii | iii | iv |

Answer: C

25. Match the following legislations with the year of their enactment;

- | | |
|---|-----------|
| a. Industries (Develop & Regulation) Act. | i. 1969 |
| b. Foreign exchange management act | ii. 1951 |
| c. Securities exchange board of India Act | iii. 1999 |
| d. MRTTP act | iv. 1992 |

Codes:

- | | A | b | c | d |
|----|-----|-----|----|-----|
| a. | I | iii | iv | ii |
| b. | Ii | iv | I | iii |
| c. | Iii | I | iv | ii |
| d. | Iv | iii | ii | i |

Answer: A

26. Match the following

List-I

List-II

- a. Focus on social environment
- b. Focus on physical environment
- c. One person one superior
- d. One head one plan

- 1. Traditional theorist
- 2. Human relationists
- 3. Unity direction
- 4. Unity of command

Code:

	A	b	c	d
a.	1	2	3	4
b.	2	1	4	3
c.	3	2	1	4
d.	4	3	2	1

Answer: b

27. Match the following components of Business environments?

- | | |
|--------------------------|----------------------------------|
| a. Economic environment | i. Exim policy |
| b. Social environment | ii. Customs |
| c. Political environment | iii. Social values |
| d. Legal environment | iv. Business law and banking act |

Code:

	A	b	c	d
a.	I	ii	iii	iv
b.	Iii	iv	ii	i
c.	Iii	I	ii	iv
d.	I	ii	iv	iii

Answer: A

28. Arrange the following Acts in the order in which they came into force.

- i. The monopolies restrictive trade practices act
- ii. Indian contract act
- iii. The sales of goods act
- iv. The foreign exchange management act

Codes:

a.	Ii	iii	I	iv
b.	Iii	I	iv	ii
c.	I	ii	iii	iv
d.	Iv	iii	ii	i

Answer: b

29. Consumers have the rights

- i. To be protected against goods and services that are hazardous to life and property.
- ii. To assured wherever possible access to a variety of goods and services at national prices.

Code:

- a. Both I & ii are correct.
- b. Both I & ii are wrong.
- c. Only I is correct.
- d. Only ii is correct.

Answer: A

30. Which of true for existing economic and industrial policies of Indian government.

- i. FERA was abolished

- ii. MRTP was abolished
- iii. Cash compensatory support for export can abolished.
- iv. Industrial licencing (except a few goods) was abolished.

Code:

- a. I, ii, iii and iv
- b. I, iii and iv
- c. Only iii and iv
- d. Only ii and iii

Answer: c

31. Which can be a method of privatization?

- i. Disinvestment
- ii. Denationalization
- iii. Purchasing share
- iv. Take over
- v. Merger

Code:

- a. I & ii
- b. I, ii and iii
- c. ii, iv, and v
- d. all of the above

Answer: a

32. Which one of the following committees recommended the abolition of reservation of item of small scale sector in industry?

- a. Abid Hussain committee
- b. Narsimhan committee
- c. Nayak committee
- d. Rakesh Mohan committee

Answer: a

33. Why is government of India disinvesting its equity in the central public sector enterprises?

- i. The government intends to use the revenue earned from the disinvestment mainly to pay back the external debt.
- ii. The government no longer intends to retain the management control of the CPSEs.

Which of the statements given above are correct?

- a. Only I
- b. only ii
- c. both I & ii
- d. neither I nor ii

Answer: d

34. Consider the following statements

- i. Privatization of public sector units occurs, when government sells 5% of its share.
- ii. Abid Hussain committee recommended the abolition of reservation of items of small scale sector in industry

Which of the statements given above are correct?

- a. Only I
- b. both I & ii
- c. only ii
- d. neither I nor ii

Answer: c

35. Which one of the following is correct:

- a. Chalapathi Rao Committee- Regional Rural Banks In India
- b. Bhagwati Committee- SEBI Takeover Regulations
- c. N K MITRA Committee- Investor Protection
- d. All of the above

Answer: D

36. Which of the following statement is correct

Statemet-I: In the budget of 1997-98, the government had proposed to replace FERA-1973 by FEMA (Foreign Exchange Management Act).

Statement-II: It came into force on June 1, 2000

Codes:

- a. Both the statements are correct.
- b. Both the statements are incorrect.
- c. Statement-I is correct but statement-II is incorrect
- d. Statement-II is correct but statement-I is incorrect.

Answer: a

37. Privatization of ownership through sale of equity shares is called

- a. Denationalization
- b. Disinvestment
- c. Contracting
- d. none of these

Answer: b

38. Which of the following is not a business opportunity generated by globalization?

- a. Access to low cost labour.
- b. Cheap international transport
- c. Currency crisis
- d. Less stringent regulations of the business environment

Answer: c

39. Globalization is beneficial for firms because

- a. It protects them against foreign competition
- b. It cushions them from the effects of events in other countries.
- c. It opens up new market opportunities.
- d. It increases the risk and uncertainty of operating in globalizing world economy.

Answer: c

40. Which among these is not a method of Privatisation?

- a. Denationalization
- b. Franchising
- c. Sale of business
- d. All of these

Answer: c

41. 'the age of discontinuity' (1969) has been authored by

- a. John Dryden
- b. Cyril Debydeen
- c. Peter F Druker
- d. None of these

Answer: c

42. Which one is not the main objective of fiscal policy in India?

- a. To increase liquidity in the economy
- b. To promote price stability
- c. To minimize the inequalities of income and wealth.
- d. To promote employment opportunities.

Answer: a

43. Which of the following is not an objective of competition Act 2002

- a. Prohibition of abuse of dominant position.
- b. Prohibition of restrictive trade practices
- c. Prohibition of anti competitive agreement
- d. Regulation of combinations

Answer: b

44. The competition Bill 2001 has been introduced to amend the

- a. MRTP Act 1969
- b. Company regulation act 1954
- c. Industrial licensing act 1951

d. None of the above

Answer: a

45. The role of consumerism has

- a. Consumer education
- b. Product rating
- c. Liaison with government and with producers
- d. All of the above

Answer: c

1. Which of the following is not a feature of business environment?

- (a) Inter-relatedness
- (b) Dynamic nature
- (c) The totality of external forces
- (d) Complexity
- (e) Identify threats and early warning signals

2. With the introduction of photostat machines in the market, carbon paper industry was adversely affected. Which dimension of business environment is involved in this case?

- (a) Economic
- (b) Political
- (c) Technological
- (d) Social

3. Macro Environment includes ...

- (a) Economic Environment
- (b) Social Environment
- (c) Political Environment
- (d) Technological Environment
- (e) All of these

4. Which of the following is not includes Micro Environment?

- (a) Legal Environment
- (b) Customers
- (c) Suppliers
- (d) Competitors
- (e) Financiers

5. Which of the following is not includes Elements of Legal Environment?

- (a) Administrative orders issued by government authorities
- (b) Court judgments
- (c) Rights and duties of citizens.
- (d) Business and tax laws
- (e) International relations of the country

6. Increase in cost of production due to increase in minimum wage rates by Government is an example of:

- (a) Legal Environment
- (b) Political Environment
- (c) Social Environment
- (d) Economic Environment

7. Most business firms are using social media (like Facebook, Twitter, etc.) to promote their business. Which dimension of the Business Environment is being highlighted?

- (a) Legal Environment (b) Social Environment
(c) Technological Environment (d) Political Environment

8. Beti Bachao Beti Padhao yojana started by the government of India is a part of?

- (a) Legal Environment (b) Social Environment
(c) Technological Environment (d) Political Environment

9. General environment not includes:

- (a) Legal Environment (b) Political Environment
(c) Social Environment (d) Economic Environment
(e) Customer

10. Specific environment includes:

- (a) Investor (b) Suppliers
(c) Creditors (d) Employees
(e) All of these

11. Zee media group decides to open schools for lesser privileged children is an example of:

- (a) Social Environment (b) Legal Environment
(c) Political Environment (d) Economic Environment

12. 'Pachmarhi, hill station in Madhya Pradesh, banned the sale of single-use plastic items considering its negative impact on the environment'. environment is highlighted in the given statement.

- (a) Social Environment (b) Legal Environment
(c) Political Environment (d) Economic Environment

13. All liquor bottles to carry a statutory warning that alcohol consumption is injurious to health'. It is related to..

- (a) Legal Environment (b) Social Environment
(c) Political Environment (d) Economic Environment

14. Introduction of GST and its impact on business enterprises is a part of:

- (a) Legal Environment (b) Social Environment
(c) Political Environment (d) Economic Environment

15. _____ environment is with in the control of business.

- (a) Internal (b) External
(c) Micro (d) Macro

16. Which of the following is not includes Elements of Social Environment?

- (a) Social Values (b) Customs and traditions

- (c) Literacy rates (d) Tax laws
- (e) Lifestyle
17. Which of the following is not includes Elements of Economic Environment?
- (a) Rates of saving and investment (b) Fiscal policy
- (c) Monetary policy (d) Change in the income of the people
- (e) Government foreign policy towards business

18. Environment refers to all those internal and external factors which directly and continuously influence the working and performance of a business unit or specific firm, is called?

- (a) Micro Environment (b) Macro Environment
- (c) a and b both (d) None of these

19. Environment refers to all those external forces which have a homogeneous (Same) effects on the working of business organizations across business sectors. is called?

- (a) Micro Environment (b) Macro Environment
- (c) a and b both (d) None of these

20. Those political factors which have their effects on the working of the business are known as...

- (a) Legal Environment (b) Social Environment
- (c) Political Environment (d) Economic Environment

21 Macro environment is also known as _____?

- (a) direct environment (b) indirect environment
- (c) competitive environment (d) social environment

22. External factors affecting a business environment also be referred to ___factors.

- (a) Controllable (b) uncontrollable
- (c) Relevant (d) Global

23. Internal factors affecting a business environment also are referred to ___factors.

- (a) Controllable (b) Uncontrollable
- (c) Relevant (d) Global

24. Macro environment is also called _____.

- (a) General environment (b) Operating environment
- (c) Economic environment (d) Political environment

25___ environment is beyond the control of the business.

- (a) Internal (b) External
- (c) Micro (d) Macro

Answer –

1. Answer- (e) Identify threats and early warning signals
2. Answer- (c) Technological
3. Answer- (e) All of these
4. Answer- (a) Legal Environment
5. Answer-(e)International relations of the country
6. Answer- (d) Economic Environment
7. Answer- (c) Technological Environment
8. Answer- (d) Political Environment
9. Answer- (e) Customer
10. Answer-(e) All of these
11. Answer-(a) Social Environment
12. Answer- (b) Legal Environment
13. Answer- (a) Legal Environment
14. Answer- (d) Economic Environment
15. Answer- (a) Internal
16. Answer- (d) Tax laws
17. Answer- (e) Government foreign policy towards business
18. Answer- (a) Micro Environment
19. Answer-(b) Macro Environment
20. Answer- (c) Political Environment
21. Answer (b) indirect environment.
22. Answer (b) uncontrollable
23. Answer (a) Controllable
24. Answer (a) General environment.
25. Answer (b) External

IMPORTANT QUESTIONS

Q1. Monetary Policy is a regulatory policy by which the ____ or monetary authority of a country controls the supply of money, availability of bank credit and cost of money that is the rate of interest:

- a) Central Bank (RBI)
- b) SBI
- c) IBA
- d) None of These

Monetary policy refers to that policy through which the government or the central bank of the country controls the supply of money, availability of money and cost of money or rate of interest, in order to attain a set of objectives oriented towards the growth and stability of the economy.

Q2. _____ controls the supply of money and bank credit:

- a) RBI
- b) Indian Banking Association
- c) SEBI
- d) None of These

Q3. Which of the following is correct:

- a) The Central Bank has the duty to see that legitimate credit requirements are met
- b) And at the same credit is not used for unproductive and speculative purposes.
- c) RBI rightly calls its credit policy as one of controlled expansion
- d) All of the Above

Q4. Price Stability implies promoting _____ with considerable emphasis on price stability:

- a) Financial Development
- b) Economic Development
- c) Strategic Financial Development
- d) None of These

Q5. Restriction of Inventories and stock means:

- a) Central Monetary authority carries out this essential function of restricting the development of the economy and all social and economic class of people
- b) Ban on Huge amount of Inventories by Central Monetary Authority
- c) Both of Above
- d) None of These

Q6. An open market operation is an instrument of monetary policy which involves buying or selling of _____ from or to the public and banks:

- a) Bonds and Other local securities
- b) Debentures and Shares
- c) Government Securities
- d) None of These

Q7. Which among the following is correct about Sterlization:

- a) Sterlization means re-cycling of foreign capital inflows to prevent appreciation of domestic currency and to check the inflationary impact of such capital
- b) Sterlization is carried out through open market operations.
- c) To reduce the hurdles for implementation of sterlization, RBI uses a variety of other measures to manage interest rates.
- d) All of the Above

Q8. Every financial institution has to maintain a certain quantity of liquid assets with themselves at any point of time of their total time and demand liabilities. These assets have to be kept in non cash form such as G -secs precious metals, approved securities like bonds etc. The ratio of the liquid assets to time and demand liabilities is termed as _____:

- a) Statutory Liquidity Ratio
- b) Cash Reserve Ratio
- c) Reverse Repo
- d) None of These

Q9. Which among the following is incorrect among Moral Suasion:

- a) RBI may request commercial banks to not to give loans for unproductive purpose
- b) So that which may increases inflation
- c) Because it does not add to economic development
- d) All of the Above
- e) None of These

10. The National Consumer Disputes Redressal Commission (National Commission) shall have jurisdiction to complaints where the value of the goods or services and compensation, if any, claimed exceeds rupees

- (a) One crore
- (b) 50 lakh

- (c) 2 crore (d) 75 lakh
11. Appeal against the order of National Commission can be preferred before
 (a) The President (b) The Supreme Court of India
 (c) The Ministry of Consumer Affairs (d) No such option is available
12. Appeal against the order of National Commission can be preferred before the Supreme Court of India within a period of days from the date of the order
 (a) 45 days (b) 60 days
 (c) 30 days (d) 90 days
13. Which Section of the Act states that appeal against the order of National Commission can be preferred before the Supreme Court of India
 (a) Section 21 (b) Section 22
 (c) Section 24 (d) Section 23
14. If a trader or a person or the complainant fails to comply with any order made by the District Forum, the State Commission or the National Commission, they shall be punishable
 (a) with imprisonment for a term less than one month
 (b) with imprisonment for a term less than one year
 (c) with imprisonment for a term less than one month but which may extend to three years
 (d) with imprisonment for a term less than one month but which may extend to one year
15. As per Section 30 of the Act, who can make rules for carrying out the provisions contained in the act?
 (a) Central Government
 (b) State Government
 (c) Both Central & State Government in respect of the clause specified in Section 30 of the Act
 (d) Supreme Court of India
16. As per section 30(A) of the Act, who can make regulations with this Act with the previous approval of the Central Government for giving effect to the provisions of this Act
 (a) Central Consumer Protection Council
 (b) National Consumer Disputes Redressal Commission
 (c) Ministry of Consumer Affairs
 (d) Supreme Court of India
17. The President of National CDRC shall be a person who is or has been
 (a) a Judge of the High Court (b) a Judge of the Supreme Court
 (c) a Chief Justice of the High Court (d) a well known jurist
18. The selection committee for appointing members of National CDRC is consisting of
 (i) A person who is a Judge of Supreme Court, to be nominated by the Chief Justice of India (Chairman)
 (ii) The Minister in Charge of consumer affairs in Central Government (Member)
 (iii) The Secretary in the Department of Legal Affairs in the Government of India (Member)
 (iv) The Secretary of the Department dealing with consumer affairs in the Government of India (Member)
 Codes:
 (a) (i), (ii) & (iii) (b) (i), (ii) & (iv)
 (c) (i), (ii) & (iv) (d) (i), (iii) & (iv)
19. The salary or honorarium and other allowances payable to the members of the National Commission shall be prescribed by
 (a) Central Government (b) President
 (c) Supreme Court (d) High Court
20. Every member of National CDRC shall hold office for a term of
 (a) Five years or up to the age of sixty seven years

- (b) Five years or up to the age of seventy years
(c) Six years or up to the age of seventy years
(d) Five years or up to the age of sixty five years

21. The CDRF (District Forum) shall refer a copy of the admitted complaint to the opposite party within days from the date of its admission for giving reply about the complaint.

- (a) 21 days (b) 30 days
(c) 25 days (d) 15 days

22. The District Forum shall have the same powers as that of a civil court under Code of Civil Procedure, 1908 while trying a suit in respect of which of the following matters

- (i) The summoning and enforcing the attendance of any defendant or witness and examining the witness on oath
(ii) The discovery and production of any document or material object as evidence
(iii) The reception of evidence on affidavits
(iv) Issuing of any commission for the examination of any witness

Codes:

- (a) (i), (ii), (iii) (b) (i), (ii), (iv)
(c) (i), (iii), (iv) (d) (i), (ii), (iii) & (iv)

23. The District Forum shall be deemed to be a civil court for the purposes of section 195 and Chapter XXVI of

- (a) The Indian Penal Code, 1860 (b) The Code of Criminal Procedure, 1973
(c) The Civil Procedure Code, 1908 (d) None of the above

24. Every order made by the District Forum shall be signed by its

- (a) President only (b) President and the member
(c) Members who conducted the proceeding (d) Either (b) or (c)

25. The President of the State CDRC shall be a person who is or has been a

- (a) Judge of a Supreme Court (b) Judge of a High Court
(c) Judge of a District Court (d) A well known jurist

26. What are the qualifications to be appointed as the member of the consumer dispute redressal forum/commission

- (i) be not less than thirty-five years of age
(ii) possess a bachelor's degree from a recognised university
(iii) be persons of ability, integrity and standing

Codes:

- (a) (i) & (ii) (b) (i) & (iii)
(c) (ii) & (iii) (d) (i), (ii) & (iii)

27. For appointing as member of the consumer dispute redressal forum/ commission, at least years experience in dealing with problems relating to economics, law, commerce, accountancy, industry, public affairs or administration is required?

- (a) 15 years (b) 5 years
(c) 10 years (d) 7 years

28. A person shall be disqualified for appointment as a member of the consumer dispute redressal forum/commission if he

- (i) has been convicted and sentenced to imprisonment for an offence which involves moral turpitude
(ii) is an undercharged insolvent
(iii) is of unsound mind and stands so declared by a competent court
(iv) has been removed or dismissed from the service of the Government or a body corporate owned or controlled by the Government

(v) has such financial or other interest as is likely to affect prejudicially the discharge by him of his functions as a member

Codes:

- (a) Only (i) & (iii) (b) Only (i), (ii) & (iv)
(c) Only (ii), (iv) & (v) (d) All the above

29. Who is the Chairman of the selection committee constituted for appointing chairman and members of the District Forum (CDRF)?

- (a) President of the State Commission
(b) Chief Justice of the High Court
(c) Secretary in charge of the Department dealing with consumer affairs in the State
(d) Minister in charge of the Department dealing with consumer affairs in the State

30. Which of the following are the member of the selection committee constituted for appointing chairman and members of the District Forum (CDRF)?

- (i) Minister in charge of the Department dealing with consumer affairs in the State
(ii) Secretary in charge of the Department dealing with consumer affairs in the State
(iii) Secretary, Law Department of the State

Codes:

- (a) (i) & (ii) (b) (ii) & (iii)
(c) (i) & (iii) (d) (i), (ii) & (iii)

31. In the absence of the President of the State Commission, who will act as Chairman of the Selection Committee constituted for appointing chairman and members of the District Forum (CDRF)?

- (a) Minister in charge of the Department dealing with consumer affairs in the State
(b) The Chief Justice of the High Court
(c) A sitting Judge of that High Court nominated by the Chief Justice of the High Court
(d) Secretary in charge of the Department dealing with consumer affairs in the State

32. The salary or honorarium and other allowances payable to the members of the District Forum shall be prescribed by

- (a) The Governor of the State (b) The National Commission
(c) The Central Government (d) The State Government

33. The District Forum shall have jurisdiction to entertain complaints where the value of the goods or services and the compensation claimed does not exceed rupees

- (a) 50 lakhs (b) 20 lakhs
(c) 10 lakhs (d) 5 lakhs

34. Maintaining a foreign currency account is helpful to

- (A) Avoid transaction cost.
(B) Avoid exchange risk.
(C) Avoid both transaction cost and exchange risk.
(D) Avoid exchange risk and domestic currency depreciation

35. India's foreign exchange rate system is?

- (A) Free float (B) Managed float
(C) Fixed . (D) Fixed target of band

36. Abid Husain Committee is related to ?

1. Reform in taxes 2. Reform in government projects
3. Reform in small industries 4. Reform in middle level industries

37. Which of the following is/are true regarding FERA, 1973 -

- a. Law violators were treated as criminal offenders

- b. Enforcement Directorate had the power to arrest any person of suspicion
- c. It aimed at minimizing dealings in forex and foreign securities
- d. All of the above

38. The statutory basis for administration of foreign exchange in India is

- A. Foreign Exchange Regulation Act, 1973
- B. Conservation of foreign Exchange and Prevention of Smuggling Act.
- C. Foreign Exchange Management Act, 1999
- D. Exchange Control Manual

39. An authorised person under FEMA does not include

- A. an authorised dealer
- B. an authorised money changer
- C. an off-shore banking unit
- D. an exchange broke

40. The term 'loro account' means

- A. our account with you
- B. your account with us
- C. their account with them
- D. none of the above

41. The term 'Vostro account' means

- A. our account with you
- B. your account with us
- C. their account with them
- D. none of the above

42. The market forces influencing the exchange rate are not fully operational under

- A. floating exchange rate system
- B. speculative attack on the market
- C. fixed exchange rate system
- D. current regulations of IMF

43. According to classification by IMF, the currency system of India falls under

- A. managed flatting
- B. independently floating
- C. crawling peg
- D. pegged to basket of currencies

44. Under fixed exchange rate system, the currency rate in the market is maintained through

- A. official intervention
- B. rationing of foreign exchange
- C. centralizing all foreign exchange operations with central bank of the country
- D. none of the above

45. The reduction in the value of a currency due to market forces is known as

- A. revaluation
- B. depreciation
- C. appreciation
- D. inflation

46. The largest foreign exchange market in the world is

- A. New York
- B. London
- C. Japan
- D. Swiss

47. For Karl Marx, where do our values come from?

- a) They are a product of our upbringing and our parents.
- b) They are a product of the economic system within which we live.
- c) They are a product of social inequality.
- d) They are a product of what we are taught at school.

48. What does Milton Friedman believe to be the sole responsibility of business?

- a) The only social responsibility of business is to its shareholders.
- b) Managers should act in ways that balance the interest of society and shareholders.
- c) The primary responsibility organizations have is to its employees.
- d) The primary responsibility organizations have is to its stakeholders.

49. What, according to Adam Smith, is the best way to promote collective interest?

- a) Through government making decisions about what is in the public interest.
- b) Through everyone working together to support each other.
- c) **Through everyone working on their own self-interest**
- d) Through individuals forgoing their personal interest for the good of the collective.

50. What is green washing?

- a) Transforming products to be more ethical.
- b) **Making a product appear more ethical that it really is.**
- c) Converting the company to green production methods.
- d) Convincing customers to buy ethically.

51. What is triple bottom line?

- a) **An accounting tool that looks at the impact on people, planet and profits.**
- b) A management strategy which states all the attention should be on profits.
- c) An accounting tool that looks at cost, profit and loss.
- d) A management strategy which focuses on corporate social responsibility.

52. Why do alternative organizations run differently from conventional shareholder led approach?

- a) They do not have shareholders.
- b) **They are run in non-hierarchical ways which aim to provide a positive impact on society rather than to make profit.**
- c) They priorities corporate social responsibility.
- d) They aim to give money to charities and good causes.

53. What does an Ethical Foundation for an organisation embody?

- a) The structure, operational and conduct of the activities of the organization
- b) **The basic principles which govern the external and internal relations of the organization**
- c) Neither of the above
- d) All of these

54. What does the importance of ethical behavior, integrity and trust call into question?

- a) **The extent to which managers should attempt to change the underlying beliefs and values of individual followers**
- b) Who does what
- c) What we do next
- d) None of the above

SET-2

1. -----is the process of analyzing the environment for the identification of factors which have impact on or have implication for the business.

- (a) Forecasting
- (b) assessment
- (c) **scanning**
- (d) None of these

2. The low income economies are sometimes referred to as -----

- (a) First world
- (b) Second world
- (c) **Third world**
- (d) None of these

3. This is the Govt.'s strategy in respect of public expenditure and revenue which have a significant Impact on business.

- (a) Monetary policy
- (b) **Fiscal Policy**
- (c) Trade policy
- (d) Foreign exchange policy

4. In which year the constitution of India was amended to add, among other things, that India should be a

socialist state?

- (a) 1954 (b) **1976** (c) 1980 (d) 1985

5. The method used for transferring complex technology is -----

- (a) **Trunk contracts** (b) Licensing agreements
(c) Training of experts (d) None of these

6. -----is concerned with holding the balance between economic and social goals and between Individual and communal goals.

- (a) Corporate Management (b) **Corporate governance**
(c) Business ethics (d) None

7. In which year the Adrian Cadbury Committee on corporate governance was appointed?

- (a) **1991** (b) 1996 (c) 1980 (d) 2000

8. CII stands for:

- (a) **Confederation of Indian Industries** (b) Condition of Indian Industries
(c) Classes of Indian Industries (d) Civilians of Indian Industries

9. According to Birla Committee on Corporate governance, the non executive directors should Comprise at least ----- per cent of the Board, if one of them is the chairman

- (a) **30%** (b) 20 (c) 10 (d) 70

10. According to Birla Committee, the non executive directors should Comprise at least ----- percent of the Board, if the Chairman and managing director is the same person.

- (a) **50%** (b) 20% (c) 10 (d) 20

11. ----- is concerned with the withdrawal of State from an industry or sector, partially or fully

- (a) Liberalization (b) Modernisation
(c) **Privatization** (d) Globalisation.

12. In which year Govt. of India appointed the Rangarajan Committee on disinvestment in PSEs

- (a) 1990, (b) 1991 (c) **1993** (d) 1996

13. The Govt. of India constituted a Public sector Disinvestment commission on-----

- (a) 15 March 1991 (b) **23 Aug 1993**
(c) 23 Sept. 1993 (d) 06 May 1994

14. Which Act was replaced with the introduction of Competition Act 2002?

- (a) FERA (b) **MRT**
(c) POTA (d) None of these

15. Competition Act was enacted in the year-----

- (a) June 2002 (b) **Dec. 2002**
(c) January 1999 (d) None of these

16. Which committee recommended the enactment of Competition Act

- (a) **High level Committee on competition policy and Law**

- (b) A Committee on Law and Order
(c) A Central Committee for Research and Policy
(d) None of these.

17. -----is the rate at which the central bank discounts or rediscounts the eligible bills.

- (a) Credit rate (b) **Bank rate** (c) Bill rate (d) Deposit rate

18. Who is concerned with the auditing of the receipts and expenditure of the State and Central Govt.

- (a) Accountant General (b) **Comptroller and Auditor General**
(c) Reserve Bank of India (d) None of the above.

19. Which policy is concerned with raising revenue through taxation and deciding on the level and Pattern of expenditure?

- (a) Monetary policy (b) **fiscal Policy**
(c) Cash policy (d) None of these

20. Who is responsible for presenting the Union Budget before the Parliament?

- (a) Prime Minister (b) **Finance Minister**
(c) RBI Governor (d) None of the se

21. -----is concerned with all current expenditure of the Govt. on administration

- (a) **Revenue expenditure** (b) Capital expenditure
(c) Total Expenditure (d) None

22. The Planning commission was set up in India in -----

- (a) 1950 (b) **1951** (c) 1947 (d) 1952

23. Who is the President of National Development Council ?

- (a) Finance Minister (b) **Prime Minister**
(c) Monteng sing Aluvalia (d) None

24. The intervening period between third and forth Five year plans is regarded as ---

- (a) Plan period (b) **Plan holidays**
(c) Plan days (c) None of these

25. Which Govt. introduced the concept of 'Rolling Plan'

- (a) Manmohan govt. (b) Vajpayee
(c) **Janatha Govt.** (d) Rao Govt.

26. From which five year plan 'growth with social justice' has received added emphasis?

- (a) 5th (b) 4th (c) 3rd (d) 6th

27. Which sector got priority in the 1st five year plan?

- (a) **Agriculture** (b) Industrial
(c) Infrastructure (d) Communication

28. GAAT was born in the year-----

- (a) **1948** (b) 1945 (c) 1947 (d) 1950

29. What was the predecessor of WTO?

- (a) **GAAT** (b) IMF (c) ADB (d) None of the above

30. In which year WTO was formulated ?

- (a) **1995** (b) 1948 (c) 1991 (d) 1988

31. FEMA was passed in the year ---

- (a) **1999** (b) 1989 (c) 2000 (d) 1997

32. -----refers to regulation of credit for specific purpose or branches of economic activity?

- (a) Credit control (b) **Selective Control**
(c) Bank control (d) None of these

33. -----is the difference between the market value of security and the amount lent by the Bank?

- (a) Loan amount (b) Margin of safety
(c) **Margin** (d) None of these

34. The quota system was first introduced in the year?

- (a) **1955** (b) 1960
(c) 1949 (d) 1952

35. PLR stands for

- (a) Prime ministers Land Recovery (b) **Prime Lending Rate**
(c) Price Leverage Rate (d) None of these

36. The policy of govt. related to Export and Import is:

- (a) IMEX policy (b) **EXIM policy**
(c) Export policy (d) None of these

37. SEZ stands for ----

- (a) **Special Economic Zone** (b) Special Export Zone
(c) Socially Backward Zone (d) None

38. ----- is an Act to control and regulate the concentration of economic power to the common detriment?

- (a) IRDA Act (b) **MRTTP**
(c) ILO Act (d) FERA

39. Consumer Protection Act was came in to force-----

- (a) 1985 (b) **1986** (c) 1999 (d) 1989

40. -----consist of economic conditions ,economic policies, industrial policies and economic system:

- (a) Business environment (b) **Economic Environment**
(c) Natural Environment (d) None

41. Indian Economy is an example of -----

- (a) Capitalist economy
- (b) Closed economy
- (c) **Mixed Economy**
- (d) None of these

43. -----is the main aim of economic planning in India?

- (a) Economic Growth
- (b) Industrial expansion
- (c) **Growth with social justice**
- (d) None

44. -----is the apex body of the economic planning in India?

- (a) **Planning Commission**
- (b) Parliament
- (c) Supreme Court
- (d) None of these

45. TRYSEM was implemented during:

- (a) 2nd plan period
- (b) **5th plan period**
- (c) 4th plan period
- (d) 7th Plan period

46. In the PEST frame work for environmental analysis, what does the letter E stands for

- (a) Ethical
- (b) **Economic**
- (c) Educational
- (d) Ecological

47. Analysing process of change in the Business environment involves conceptualizing it as

- (a) Diverse
- (b) Complex
- (c) **Dynamic**
- (d) Static

48. Who was forced to step-down as Chief Executive after describing one of his Company's products As 'total crap'?

- (a) **Gerald ratner**
- (b) Bill Gates
- (c) Alan sugar
- (d) None of these

49. In which year was the National Minimum wage introduced in the UK

- (a) 1995
- (b) **1999**
- (c) 1998
- (d) 2000

50. The concept of a firms 'license to operate' refers to

- (a) A legal requirement for company registration
- (b) An agreement recognizing trade unions
- (c) **The need for a firm to retain its legitimacy in the eyes of the public**
- (d) The qualifications needed by company directors

51. What does the term 'third sector' refers to

- (a) **The voluntary sector**
- (b) The service sector
- (c) The high technology industries
- (d) None of these

52. A multinational Corporation is defined as

- (a) Having a multi ethnic work force
- (b) Having suppliers in more than one country.
- (c) **Carrying out production in more than one country.**
- (d) None of the above

53. Which type of organizational structure is characterized by department s dealing with specialized task

- (a) Matrix
- (b) Divisional

- (c) Hierarchical (d) **Functional**

54. The demand curve for a product will shift outwards to the right when:

- (a) **The price of a substitute good rise** (b) Consumer income fall
(c) Consumer expect the price of the good fall in the future. (d) The price of the product itself fall

55. If the demand for good is relatively price inelastic and its price rises, the revenue will

- (a) fall (b) remain constant
(c) **rise** (d) Depends on how supply responds

56. Which of the following option is not an example of 'market failure'?

- (a) Failure to produce merit goods (b) Failure to produce public goods
(c) **Failure of a firm to maximize its profits** (d) Failure to account externalities

57. Which of the following is an example of a Primary form of Business activity?

- (a) Hair dressing (b) Automobile production
(c) Banking (d) **Forestry**

58. The price of a goods will tend to rise if:

- (a) The current price is above the equilibrium
(b) **The current price is below the equilibrium**
(c) The quantity demanded is less than the quantity supplied
(d) There is a reduction in the cost of a substitute commodity

59. Productivity is measured by:

- (a) The growth on Output of a firm (b) The growth on Profit of a firm
(c) **Total output/Total input** (d) Total amount of investments in capital goods

60. The transfer of asset from public sector to the Private sector is referred to as:

- (a) **Privatisation** (b) De regulation
(c) Nationalisation (d) Individualisation

61. The Branch of Govt. that is responsible for implementing or carrying out law and policy is referred

- (a) The legislature (b) **The executive**
(c) The Judiciary (d) The bureaucracy

62. A Sub culture may be defined as

- (a) A Criminal culture (b) An inferior culture
(c) **A culture that is shared by a particular group with in the society**
(d) A cultural practice that is submerged or hidden

63. The main objectives of macroeconomic policy is

- (a) A high and stable level of employment (b) A low and stable rate of inflation
(c) A stable and satisfactory rate of economic growth (d) **All of the above**

64. Who was first argued that the purpose of business was to make profit?

- (a) **Milton fried man** (b) Margara thcher
(c) Elaine stembnerg (d) John Crane

65. How many headings are there in AVIVA's Group Corporate social responsibility policy?

- (a) 4 (b) 8 (c) 24 (d) 6

66. CSR is

- (a) The same as business ethics.
 (b) A theory about ethics
 © The integration of social and environmental concern in the daily business of the firm
 (d) The title of a Govt. Committee

67. What was the focus of the Nike case?

- (a) The quality of the sports foot wear
 (b) The control of branding
 (c) Monitoring the conditions and rights of those involved in the supply chain
 (d) The ethics of sponsor ship

68. The globally responsible leadership Initiative (GRLI) was partly founded by

- (a) Enron (b) The UN global compact
 (c) The WHO (d) Robert Maxwell

69. What is triple bottom line audit?

- (a) A social, economic and environmental audit business. (b) An audit of the three major financial project of a
 (c) An audit by the Physical Health of Employees enterprise. (d) An audit of all the Sporting resources of the

70. What does the PPP or P3 initiative refer to?

- (a) Public policy papers (b) Public Private Partnership
 (c) Private Procurement Production (d) Personal Production Proposal

71. What does the PFI initiative refer to ?

- (a) Private Finance Initiative (b) Private Fiscal Initiative
 (c) Public Financial Initiative (d) Private Foundation Investment

72. The term 'late industrialization' refers to

- (a) The need to delay industrialization because of its threats to the environment
 (b) The problem faced by many developing countries as they seek to catch up to the levels of development of richer countries
 (c) The belief that it is too late for many countries to industrialise.
 (d) That we are now entering a post industrialized world.

73. Which of the following economists is regarded as having developed the theory of comparative Advantage?

- (a) Adam Smith (b) David Rechardo
 (c) Joseph stiglits (d) Amartya Sen

74 Globalisation refers to

- (a) A more integrated and interdependent world (b) Lower income world wide
 (c) Less foreign trade and investment (d) Global warming

75. Which one of the following is a pull factor in emigration?

- (a) Political oppression
- (b) **Job Opportunities**
- (c) Food shortage
- (d) War

76. Which of the following do not facilitate globalization

- (a) Improvements in communication
- (b) **Barriers to trade and investment**
- (c) immigration control
- (d) Removal of control on movements of capital across borders.

77. Which of the following is not a driver of globalization?

- (a) **The fragmentation of consumer taste between countries**
- (b) The competitive process
- (c) The need to gain economies of scale
- (d) None of these

78. Globalisation is beneficial for firms because

- (a) It protects them against foreign competition
- (b) It cushions them from the effects of events in other countries.
- (c) **It opens up new market opportunities**
- (d) It increases the risk and uncertainty of operating in globalizing world economy.

79. Globalisation can create problem for business because

- (a) **It can result in more competition**
- (b) It increases vulnerability to political risk and uncertainty when operating abroad
- (c) It means that they can increase price
- (d) All the options are correct.

80. An environment which is increasingly complex and turbulent displays

- (a) More orderly competition
- (b) More predictable demand
- (c) A reduced risk of product obsolescence.
- (d) **Increased speed of innovation**

81. Which of the following is not a business opportunity generated by globalization?

- (a) Access to low cost labour
- (b) Cheap international transport
- (c) **Currency crisis**
- (d) Less stringent regulations of the Business Environment

82. Exploring the strategic implications of global warming is best described as -----

- (a) An external environment analysis
- (b) **Scenario planning**
- (c) Futures forecasting
- (d) A PESTLE analysis

83. PESTLE is an analytical tool which helps to undertake?

- (a) An internal analysis
- (b) **An external analysis**
- (c) A competitor analysis
- (d) A strategic analysis

84. An analysis of the external environment enables a firm to identify

- (a) Strengths and opportunities
- (b) Strength and weakness
- (c) Weakness and threats
- (d) **Opportunities and threats**

85. To determine a country's attractiveness to business require

- (a) A detailed analysis of elements in the macro environment
- (b) An assessment of the political and financial risks of doing business in that country
- (c) An analysis of the competitive environment

(d) All of the above

86. Secondary screening involves

- (a) An external environmental analysis (b) Risk analysis
(c) **An external environment analysis and risk analysis** (d) A competitor analysis

87. The home locations of most of the World's large Multi National Companies is:

- (a) **North America and Europe** (b) North America and Asia
(c) Europe and South America (d) Europe and Asia

88. Multinational Corporations

- (a) Always produce primary goods (b) Always produce manufactured goods
(c) Always produce service (d) **May produce primary or manufactured goods**

89. -----refers to highly educated and skilled people who migrate from poor developing countries To wealthy industrial countries .

- (a) Direct investment (b) Portfolio Investment
(c) **Brain drain** (d) Transfer Pricing

90. An attribute that doesn't contribute to Porters Diamond model is

- (a) Government (b) **Organised Trade Unions**
(c) Demand conditions (d) Factor conditions

91. Identify a factor that doesn't play an important role in attracting FDI

- (a) Laws, rules and regulations (b) **Language**
(c) Cost of resources (d) Administrative Procedure and efficiency

92. The Country that attract the largest FDI inflow is –

- (a) India (b) USA
(c) **China** (d) Brazil

93. General Electric follows ----- as its international operational strategy?

- (a) Global (b) International
(c) **Transnational** (d) None of these

94. Which bank is called the Bank of Issue

- (a) **RBI** (b) SBI
(c) IDBI (d) ICICI

95. Theoretically, what is the most significant organ of WTO

- (a) The council for Trade in Goods (b) **The ministerial conference**
(c) The General Council (d) The committee on Trade and Development

96. Where is provision made with regard to the WTO's institutional arrangements?

- (a) In the GAAT (b) **In the WTO agreement**
(c) In the UN Charter (d) None of these

97. What is the role of IMF

- (a) It control the budgets of National Govts
(b) It acts as a forum for international economics

- (c) It observes world exchange rates, balance of payments and multilateral payments
(d) None of these

98. The sale of substandard and hazardous goods under defined conditions constitute

- (a) **Restrictive Trade Practice** (b) Unfair Trade Practice
(c) MRTTP (d) None of these

99. The Bretton Woods twins consist of IMF and -----

- (a) **World Bank** (b) ADB
(c) IDBI (d) ICICI

100. IMF commenced its operation in the year

- (a) 1948 (b) 1950
(c) **1947** (d) 1952

101. The number of institutions included in the World Bank Group is

- (a) **5** (b) 4 (c) 9 (d) 7

102. If a member has less currency with IMF than its quota, the difference is called -----

- (a) Reserve (b) Margin
(c) **Reserve tranche** (d) None of these

103. As per 2006 estimates, India's debt from IMF stands -----

- (a) 150 billion dollars (b) 190 Billion dollars
(c) 250 Billion dollars (d) **138 Billion dollars**

104. When India became a member of IMF, the initial par value of Indian rupee was fixed at ----- grams of Gold.

- (a) **0.26801** (b) 0.364
(c) 0.359 (d) 0.865

105. ----- was the International Reserve created by IMF to solve the problem of international liquidity

- (a) **SDR** (b) APR
(c) SDC (d) None of these

106. How many currencies are linked with SDR?

- (a) 9 (b) 7 (c) 6 (d) **5**

107. ----- refers to the external forces which have a bearing on the functioning of the business.

- (a) **Environment** (b) Culture
(c) System (d) None of these

108. These are forces in the company's immediate environment that affect the performance of the Co.

- (a) **Macro environment** (b) Micro environment
(c) Technological environment (d) Natural environment

109. In this type of economic system, the Govt. intervention will be absent.

- (a) **Free enterprise economy**, (b) Socialist economy
(d) Mixed economy (d) None of the above

110. ----- is an economic system where the means of production are owned and managed by the State

- (a) Capitalism (b) **Socialism**

- (c) Mixed Economy (d) Common economy

111. India follows -----economic system

- (a) Social (b) Capitalist (c) **Mixed** (d) None of these.

112. In -----economic system, there exists both private and public sector?

- (a) Social (b) Capitalist (c) **Mixed** (d) None of these.

113. Who was the first chairman of the Planning Commission of India?

- (a) **Jawaharlal Nehru** (b) Rajendraprasad (c) Gandhiji (d)Ambedkar

114. Who is concerned with the approval of the planning decision formulated by the Planning Commission

- (a) **NDC** (b) CDC (c) Planning Board (d) None of these

115. When was the first industrial policy of India announced?

- (a) **April 6 1948** (b) April 9 1948 (c) March 6 1948 (d) April 1947

116. Who announced the Industrial policy of India for the first time?

- (a) Gandhiji (b) **Nehru** (c) Ambedkar (d) Subhash Chandra Bose.

117. The industrial policy resolution of 1948 aimed at acceleration of ----- of the Country.

- (a) Agricultural development (b) **Industrial development**
(c) Infrastructural development (d) None of these

118. The Industrial policy of 1948 divided the Indian industries in to ----- categories.

- (a) 5 (b) **4** (c) 8 (d) 6

119. Which Industrial Policy Resolution(IPR) is known as Economic Constitution of India?

- (a) IPR 1964 (b) **IPR 1976** (c) IPR 1956 (d) IPR 1948

120. Which govt. announced the IP of 1980?

- (a) **Congress** (b) Janatha (c) BJP (d) UPA

121. Which IP abolished the Industrial licensing?

- (a) IPR 1956 (b) IPR 1964 (c) **IP 1991** (d) None of these

122. The agricultural income is fully exempted from Income tax—Is it true?

- (a) False (b) Not Applicable (c) **True** (d) Partially taxable

123. There are policies which are made to govern the import and export trade

- (a) Export policies (b) Import Policies (c) **EXIM policies** (d) None of these

124. The Govt. introduced the import liberalization policy in the year-----

- (a) **1977- 78** (b) 1991-92 (c) 1988-89 (d) 2001-02

125. When was the EXIM policy announced for the first time?

- (a) 1947 (b) **1985** (c) 1991 (d) 1999

126. EPZ stands for -----

- (a) **Export Processing Zone** (b) Export Promotion Zone
(c) External Promotion zone (d) None of these.

127. -----concerned with the obligation and duties of business to the society?

- (a) **Social responsibility** (b) Status (c) Authority (d) None of these

128. Who conducted the social audit in India for the first time?

- (a) **JRD Tata** (b) Birla (c) Reliance group (d) State Bank

129. ----- is a social movement seeking to augment the rights and powers of buyers?

- (a) Consumer movement (b) **Consumerism** (c) Flows (d) None of these

130. In these types of NRI Accounts, the Principal as well as interest in non patriable ?

- (a) NRNR A/c (b) NRO (c) **NRSR A/C** (d) None of these

131. Which type of securities are bought and sold in open market operation?

- (a) Pvt. Securities (b) **Govt. securities** (c) Initial securities (d) None of these

132. ----- is the difference between market value of a security and the amount lent by banks against these Securities?

- (a) Margin of safety (b) **Margin** (c) Loan amount (d) None of these.

133. The RBI introduced the credit authorization scheme in -----

- (a) **Nov 1965** (b) Dec. 1968 (c) 1948 (d) 1991

134. The term budget is derived from the French word -----

- (a) Boget (b) **Bougette** (c) Bogeget (d) None of these

135. The Union budget of the coming financial year presented to the parliament on -----

- (a) **Last working day of February** (b) First working day of February
(c) March first week (d) Last working day of March

136. Who is concerned with the presentation of Union budget?

- (a) Prime Minister (b) **Finance Minister**
(c) RBI Governor (d) Home Minister

137. Which Bill is concerned with the tax proposals of the Budget?

- (a) Cash Bill (b) **Finance Bill** (c) State Bill (d) None of these

138. The Union Budget is divided in to ----- parts

- (a) **2** (b) 3 (c) 8 (d) 5

139. Which item of the budget is concerned with the current expenditure of Govt. on administration ?

- (a) Capital expenditure (b) **Revenue expenditure**
(c) Deferred expenditure (d) None

140. ----- deals with the receipts from taxes, interest, dividend and profits

- (a) **Revenue receipts** (b) Capital receipts
(c) general receipts (d) Deferred receipts

141. Introduction to business wrote by -----

- (a) Reinck (b) Schoeil (c) Coper (d) **Both A & B**

142. A good environment is good business. Who said this?

- (a) **Dr. MS Swaminathan** (b) Dr. SS Rao (c) Dr. M. Sing (d) Dr. R. Rajan

143. Which one of the following cannot be included under the nature of relationship between business And Environment ?

- (a) Inter dependence (b) Dynamic (c) Social change (D) **Fixed**

144. External Environment of Business is -----

- (a) Physical (b) Demographical (c) Economic (d) **All of these**

145. Physical Environment includes-----

- (a) Natural Resources (b) Climate (c) Water (d) **All of these**

146. Natural Environment Includes-----

- (a) Water (b) Earth (c) Air (d) **All of these**

147. The Economic environment of a business includes?

- (a) Economic system (b) Economic policies (c) Economic conditions (d) **All of these**

148. Which of the following is not an essential feature of social environment?

- (a) Competitiveness (b)Respect for the individual
(c)Better quality of life (d) **Bailment**

149.The New economic policy of India is precious gift of

- (a) Dr. VS Rao (b) **Dr. Manmohan singh**
(c) Mr. Jaswant Sing (d) Venkita Roy

150. Administrative contol contains ---

- (a) **Industrial Policy** (b) Economic planning
(c) GNP (d) GDP

OTHER IMPORTANT MCQS –

1. The low income economies are sometimes referred to as -----

- (a) First world (b) Second world (c) Third world (d) None of these

Ans : c

2. This is the Govt.'s strategy in respect of public expenditure and revenue which have a significant Impact on business.

- (a) Monetary policy (b) Fiscal Policy
(c) Trade policy (d) Foreign exchange policy

Ans : b

3. CII stands for

- (a) Confederation of Indian Industries (b) Condition of Indian Industries
(c) Classes of Indian Industries (d) Civilians of Indian Industries

Ans : a

4. ----- is concerned with the withdrawal of State from an industry or sector, partially or fully

- (a) Liberalization (b) Modernisation
(c) Privatization (d) Globalisation.

Ans : c

5. In which year Govt. of India appointed the Rangarajan Committee on disinvestment in PSEs

- (a) 1990, (b) 1991 (c) 1993 (d) 1996

Ans : c

6. The Govt. of India constituted a Public sector Disinvestment commission on-----

- (a) 15 March 1991 (b) 23 Aug 1993
(c) 23 Sept.1993 (d) 06 May 1994

Ans : b

7. Which Act was replaced with the introduction of Competition Act 2002?

- (a) FERA (b) MRTP (c) POTA (d) None of these

Ans : b

8. Competition Act was enacted in the year-----

- (a) June 2002 (b) Dec. 2002 (c) January 1999 (d) None of these

Ans : b

9. Which committee recommended the enactment of Competition Act:

- (a) High level Committee on competition policy and Law
(b) A Committee on Law and Order
(c) A Central Committee for Research and Policy
(d) None of these.

Ans : a

10. Which policy is concerned with raising revenue through taxation and deciding on the level and Pattern of expenditure?

- (a) Monetary policy (b) fiscal Policy (c) Cash policy (d) None of these

Ans : b

11. Who is responsible for presenting the Union Budget before the Parliament?

- (a) Prime Minister (b) Finance Minister (c) RBI Governor (d) None of the above.

Ans : b

12. -----is concerned with all current expenditure of the Govt. on administration

- (a) Revenue expenditure (b) Capital expenditure
(c) Total Expenditure (d) None of the above.

Ans : a

13. The Planning commission was set up in India in -----

- (a) 1950 (b) 1951 (c) 1947 (d) 1952

Ans : b

14. Who is the President of National Development Council ?

- (a) Finance Minister (b) Prime Minister
(c) Monteng sing Aluvalia (d) None of the above.

Ans : b

15. The intervening period between third and forth Five year plans is regarded as ---

- (a) Plan period (b) Plan holidays (c) Plan days (d) None of these

Ans : b

16. Which Govt. introduced the concept of 'Rolling Plan'

- (a) Manmohan govt. (b) Vajpayee (c) Janatha Govt. (d) Rao Govt.

Ans : c

17. GAAT was born in the year-----

- (a) 1948 (b) 1945 (c) 1947 (d) 1950

Ans : a

18. What was the predecessor of WTO?

- (a) GAAT (b) IMF (c) ADB (d) None of the above

Ans : a

19. In which year WTO was formulated ?

- (a) 1995 (b) 1948 (c) 1991 (d) 1988

Ans : a

20. FEMA was passed in the year ---

- (a) 1999 (b) 1989 (c) 2000 (d) 1997

Ans : a

21. -----refers to regulation of credit for specific purpose or branches of economic activity?

- (a) Credit control (b) Selective Control
(c) Bank control (d) None of these

Ans : b

22. SEZ stands for ----

- (a) Special Economic Zone (b) Special Export Zone
(c) Socially Backward Zone (d) None

Ans : a

23. ----- is an Act to control and regulate the concentration of economic power to the common detriment?

- (a) IRDA Act (b) MRTP (c) ILO Act (d) FERA

Ans : b

24. Consumer Protection Act was came in to force-----

- (a) 1985 (b) 1986 (c) 1999 (d) 1989

Ans : b

25. -----consist of economic conditions, economic policies, industrial policies and economic system:

- (a) Business environment (b) Economic Environment
(c) Natural Environment (d) None

Ans : b

26. Indian Economy is an example of -----

- (a) Capitalist economy (b) Closed economy
(c) Mixed Economy (d) None of these

Ans : c

27. ----- economy is not planned, controlled or regulated by the Govt.

- (a) Closed Economy (b) Mixed Economy
(c) Free market economy (d) None of these

Ans : c

28. -----is the apex body of the economic planning in India?

- (a) Planning Commission (b) Parliament
(c) Supreme Court (d) None of these

Ans : a

29. Globalisation refers to:

- (a) A more integrated and interdependent world (b) Lower income world wide
(c) Less foreign trade and investment (d) Global warming

Ans : a**30. Globalisation is beneficial for firms because:**

- (a) It protects them against foreign competition
(b) It cushions them from the effects of events in other countries.
(c) It opens up new market opportunities
(d) It increases the risk and uncertainty of operating in globalizing world economy.

Ans : c**31. Globalisation can create problem for business because:**

- (a) It can result in more competition.
(b) It increases vulnerability to political risk and uncertainty when operating abroad.
(c) It means that they can increase price
(d) All the options are correct.

Ans : a**32. Which bank is called the Bank of Issue:**

- (a) RBI (b) SBI (c) IDBI (d) ICICI

Ans : a**33. Theoretically, what is the most significant organ of WTO:**

- (a) The council for Trade in Goods (b) The ministerial conference
(c) The General Council (d) The committee on Trade and Development

Ans : b**34. In this type of economic system, the Govt. intervention will be absent.**

- (a) Free enterprise economy, (b) Socialist economy
(c) Mixed economy (d) None

Ans : a**35. -----is an economic system where the means of production are owned and managed by the State:**

- (a) Capitalism (b) Socialism
(c) Mixed Economy (d) Common economy

Ans : b**36. India follows -----economic system:**

- (a) Social (b) Capitalist (c) Mixed (d) None of these.

Ans : c**37. In -----economic system, there exists both private and public sector?**

- (a) Social (b) Capitalist (c) Mixed (d) None of these.

Ans : c**38. Who was the first chairman of the Planning Commission of India?**

- (a) Jawaharlal Nehru (b) Rajendraprsad
(c) Gandhiji (d) Ambedkar

Ans : a**39. When was the first industrial policy of India announced?**

- (a) April 6 1948 (b) April 9 1948

(c) March 6 1948

(d) April 1947

Ans : a

40. There are policies which are made to govern the import and export trade:

(a) Export policies

(b) Import Policies

(c) EXIM policies

(d) None of these

Ans : c

41. When was the EXIM policy announced for the first time?

(a) 1947

(b) 1985

(c) 1991

(d) 1999

Ans : b

42. EPZ stands for ----

(a) Export Processing Zone

(b) Export Promotion Zone

(c) External Promotion zone

(d) None of these.

Ans : a

43. -----concerned with the obligation and duties of business to the society?

(a) Social responsibility

(b) Status

(c) Authority

(d) None of these

Ans : a

44. Who conducted the social audit in India for the first time?

(a) JRD Tata

(b) Birla

(c) Reliance group

(d) State Bank

Ans : a

45. Who is concerned with the presentation of Union budget?

(a) Prime Minister

(b) Finance Minister

(c) RBI Governor

(d) Home Minister

Ans : b

46. Which Bill is concerned with the tax proposals of the Budget?

(a) Cash Bill

(b) Finance Bill

(c) State Bill

(d) None of these

Ans : b

47. A good environment is good business. Who said this?

(a) Dr. MS Swaminathan

(b) Dr. SS Rao

(c) Dr. M. Sing

(d) Dr. R. Rajan

Ans : a

48. External Environment of Business is ----

(a) Physical

(b) Demographical

(c) Economic

(d) All of these

Ans : d

49. Physical Environment includes-----

(a) Natural Resources

(b) Climate

(c) Water

(d) All of these

Ans : d

50. Natural Environment Includes-----

(a) Water

(b) Earth

(c) Air

(d) All of these

Ans : d

51. The Economic environment of a business includes?

(a) Economic system

(b) Economic policies

(c) Economic conditions

(d) All of these

Ans : d

52. The New economic policy of India is precious gift of:

- (a) Dr. VS Rao
(c) Mr. Jaswant Sing
Ans : b
- (b) Dr. Manmohan singh
(d) Venkita Roy

53. Capitalistic, Communistic and Mixed are the types of:

- a) Economic System,
c) Cultural Attitudes,
Ans : a
- b) Social System,
d) Political System.

54. Globalization refers to –

- a) Lower incomes worldwide,
c) Global warming and their effects,
Ans : d
- b) Less foreign trade and investment,
d) A more integrated and interdependent world.

55. IPR stands for –

- a) Intellectual Property Rights,
c) Internal Promotion Rights,
Ans : a
- b) International Property Rights,
d) Interior Promotional Rights.

56. MNC stands for –

- a) Multi National Cooperation,
c) Multi Nation Company,
Ans : a
- b) Multi National Corporation,
d) Multi National Collaboration.

57. The main promoter of trade liberalization was –

- a) GATT,
Ans : a
- b) NAFTA,
c) CEPTA,
d) CISA

58. Which of the following is not the social responsibility of the business?

- a) Promotion of markets,
c) Promotion of education,
Ans : a
- b) Promotion of green environment,
d) Promotion of public health.

POINTS TO REMEMBER

INDUSTRY:

1) Industrial policy Resolution 1948

> After independence the first industrial policy was declared on 6th April, 1948 by then union industry minister Mr. Shyama Prasad Mukherjee.

> Resolution accepted importance of both public & private sector.

> This policy established a base for mixed & controlled economy in India.

> This policy divides the economy in four categories:

- Exclusive state monopoly
- State monopoly for new units
- State regulation
- The field of private enterprises..

Industries development and regulation act 1951

- An act was passed by parliament on **Oct 1951** known as industries development regulation act 1951.
- It came in to force on **8th may 1952**.
- Main task was development and regulation of private sector.
- Protection of small Entrepreneurs.
- Prevention of monopoly.
- Balanced regional development.

Industries policy resolution 1956.

- Also known as economic constitution of India.
- It was declared on **30th April 1956**.
- Basic objective was socialist pattern of society.
- Every new policy accepted the 1956 industrial policy resolution as its base.
- Develop heavy industries & machines institutions, speed up industrialization and excelerate rate of growth and expand public sector.
- >Reduce disparities of income and wealth, build up co-operative sectors, prevent monopoly & concentration of wealth & income in the hands of a small number of individuals'.
- Stress was laid on co-operation between public & private sectors but more importance given to public sector.
- Under this policy reservation of industries came.
- Reservation of industries means clear cut clarification of industries.

Industries policy statement 1969.

- For solving the shortcomings of licensing policy which was started in 1956.
- Experts & industrialist told that licensing policy is serving just an opposite purpose.
- Reasons of licensing- exploitation of resources, price control of goods, checking concentration of economic power, channelizing investment in to desired direction.
- Finally in 1969 a new industrial licensing policy was allowed.
- Under this MRTP act came known as monopolies restrictive trade practices act with a limit of 25 crore. Green field ventures and take- over of other firms as per MRTP act came to be known as MRTP companies.

Industrial Policy statement 1973.

- Core industries such as iron, steel, cement, coal, electricity in future known as basic industries and infrastructure industries.
- Schedule A is not a part of compulsory licensing policy out of 6 crore industries. Firm apply for licensing policy having assets of 25 crore or more.
- Concept of joint sector was developed, partnership among center, state & private sector.
- Government has been facing foreign exchange regulation so in **1973 FERA (Foreign Exchange Regulation Act)** came, known as Draconian Act because it hamper the growth and modernization of industry.
- MNCs allowed to set-up their subsidiaries.

Industrial policy statement 1977

- Established by Janta Government.
- This statement is opposite of industrial policy statement **1973**.
- Foreign investment were prohibited which promote foreign investment through technology transfer.
- In **1977** concept of tiny enterprises came.
- Redefinition of small and cottage industries and emphasis on village industries.
- DIC (district industries center) were set up to promote small & cottage industries.
- Democratic decentralization at khadi and village industries
- Attention on prices of essential commodities of everyday use.

Industrial policy resolution 1980

- Revised of industrial policy statement 1977.
- Foreign investment through technology transfer allowed.
- MRTP limit 50 crores.
- DIC continued.
- Licensing was simplified, liberal attitude towards expansion of private sector.

Industrial policy resolution 1985 & 1986

- Foreign investment further simplified, equity holding of MNCs in Indian subsidiary 49% with Indian partnership holding 51% share.
- MRTP limit 100 crores.
- Compulsory licensing of industries.
- Sunrise industries such as telecommunication, computerization & electronics.
- Modernization & profitability of public sector.
- Imported raw materials got boost, use of foreign exchange permits in area of FERA.
- Many new technologies & scientific approach for agriculture.

NEW INDUSTRIAL POLICY 1991

In **June 1991 Narsimamh Rao** government took over charge and new industrial policy came under the liberalized form Sever BOP crisis, gulf of war higher oil prices, depleting fastly foreign reserves, inflation peaking and gross fiscal deficit also.

Government declared broad changes in industrial policy on **24th June 1991**.

De reservation of industries came of three industries-

- Atomic energy (nuclear, mining, fuel fabricant)
- Arms ammunition, Defense equipment and warship
- Railway transport

Delicensing of industries came

- Distillation & brewing of alcoholic drinks
- Cigar cigarettes and other substitutes of prepared tobacco
- Electronic, aerospace and all types of defense equipment
- Industrial explosive including match box, detonating fuses, safety fuses, gunpowder and nitrocellulose.
- Hazardous chemicals

- ❖ Foreign exchange regulation act was liberalized on **8th January 1993**.
- ❖ **FERA** was replaced by **FEMA** (foreign exchange management act) in **Dec 1999**

- ❖ BIFR (*Board for industrial and financial reconstruction*) was established under sick industrial companies act 1985. The board started its functions from **15th may 1987**.
- ❖ Process of disinvestment started in public sector in **1991-1992**
- ❖ To minimize the financial burden on public sector enterprises the government has started voluntary retirement scheme for the employees by giving full compensation to employees. This is called golden handshake scheme.
- ❖ To evaluate the problems of financial sickness of small industries the government had constituted Nayak committee which submitted its report in September 1992.
- ❖ NELP- New exploration licensing policy 1999

ECONOMIC PLANNING

- ❖ Planning commission is a **non -constitution body**.
- ❖ It is central body for making plans in India.
- ❖ A book entitled Planned Economy For India was published in **1934 by Sir M Vishweshwarya**.
- ❖ Indian national congress constituted a National Planning committee in 1938 to discuss the requirement & possibility of planning in India. **Pundit Jawaharlal Nehru** was the president that time of this committee
- ❖ In 1944 a plan called Bombay Plan was presented by eight industrialist of Bombay. There after in same year 1944 Gandhian plan by Mannaragan in 1945, the peoples plan by labour leader MN Raj and in 1950 the Sarvodya plan by Mr. Jai Prakash Narayan were presented.
- ❖ Planning commission constituted on 15th march 1950
- ❖ First chairman of planning commission was Pt. Jawaharlal Nehru.
- ❖ Prime minister of India is the ex-officio chairman of planning commission. There is also a deputy chairman of Planning Commission.
- ❖ The National development council NDC was formed on 6th august 1952.
- ❖ Format of five years plan came in 1951.
- ❖ Concept of planning commission is derived from Russia USSR.
- ❖ It was constituted by union cabinet on the proposal of a member of union parliament.
- ❖ Planning commission is approved by NDC (national development council).
- ❖ NDC is non-statutory body which is built to co-operate between states & planning commission.
- ❖ Planning commission is in concurrent list.
- ❖ The member of planning commission are appointed by the government.
- ❖ Second five year plan- Prof P C Mahalanbosis.
- ❖ Eleventh five year plan- Prof C Rangaranjan.

1) **First five year plan (1st April 1951 to 31st march 1956).**

- Rehabilitations of refugees from Pakistan.
- To check inflationary tendency.
- Agriculture was given a highest priority.
- To solve food problems.
- Reconstruct economy damaged due to war.
- Revival of small and cottage industries.
- Community development programme (NDC came on 6th Aug. 1952).

2) **Second five year plan (1956 to 1961).**

- Prep by Prof P C Mahalanbosis.
- Basically industrial policy resolution 1956 based on socialist pattern of society.
- Faster growth of national income.
- Rapid industrialization with special emphasis on basic and heavy industries.
- To reduce inequality of income & wealth.
- Expansion in employment opportunities.
- Steel plant at Bhilai, Rourkela, Durgapur.

- Shortage of foreign exchange.
- 3) **Third five year plan (1961 to 1966).**
 - To make Indian Economy self-reliant and self-sustain economy.
 - Development of Agriculture.
 - Self-reliance in food grains.
 - Balanced regional development.
 - Two war Indo-china (1962) Indo-Pak (1965) as ill-fated plan.
 - India also faced drought in 1965-1966.
 - Reduce inequality of Income & wealth.
 - Optimum utilization of country's labour power.
- 4) **Three Annuals plan (1966 to 1969).**
 - To overcome the ill effects of war.
 - To solve the food problem.
 - To prepare base for fourth plan.
 - Green revolution (1966-1967) to develop new varieties of seeds.
 - Currency devaluation (1966 June).
 - Economist called this period 1966 to 1969 as plan holiday, also known as GADGIL PLAN.
- 5) **Fourth five year plan (1969 to 1974).**
 - Growth with stability and progress towards self-reliance.
 - Establishment of buffer stock.
 - Implement family planning.
 - To develop public sector, reduce regional imbalance.
 - Balanced development of all the sectors.
 - MRTP act came.
 - Oil crisis, population explosion, war with Pakistan, 14 banks nationalized.
- 6) **Fifth five year plan (1974 to 1979).**
 - Janata government declared this plan closed one year prior to its schedule.
 - Eradication of poverty (GRABHI HATAO).
 - Attainment of self-reliance.
 - National programme for primary education, drinking water, medical facilities in rural areas, nourishing food, and land for houses of landless labor, rural roads, electrification, cleanliness.
 - Policy of import substitution and export promotion.
 - Prepared by planning commission.
 - Reduce regional economic, social inequality, unemployment problem.
 - Prohibition of unnecessary consumption price wage policy.
 - Janata government terminated in 1978.
- 7) **Annual/ rolling plan (1978 to 1980).**
 - >Janata Government fail in 1978.
 - Reduce poverty.
 - Reduce unemployment.
 - Also called rolling plan.
- 8) **Sixth five year plan (1st April 1980 to 31st March 1985).**
 - Generate employment.
 - Control population explosion.
 - Efficient use of resources.
 - Modernization.
 - Encourage people to participate in education.
 - Policy adopted to control population explosion.
 - Rapid efficient utilization of energy resources.
 - Indian economy made all round progress.

- Integrated rural development.
- Minimum needs programme.
- Industrial development regulation.
- Drought (1984-85).

9) Seventh five Year plan (1st April to 31st march 1990).

- Progress towards a social system based on equality & justice.
- Prepare a firm base for technological development in industrial & agriculture.
- Ecological & environment protection.
- Productive employment.
- First time private sector was given priority.

10) Annual plan (1990-1992).

- Due to economic crisis.
- Political instability at center.
- New industrial policy was announce.
- Considered the beginning of large scale liberalization in Indian economy.
- LPG Policy come under this

11) Eighth five year plan (1992 to 1997).

- Human resource development.
- Primary education, drinking water, health. Vaccination in all villages & complete elimination of scavengers.
- Eliminate illiteracy among people of ages 15-35 years.
- Universalization of primary education & 100% literacy in the age 06 to 14 years.
- Achieving full employment by the end of century.
- Sufficient employment opportunity.
- PMRY- Pradhan Mantri Rojgar Yojana and many more Yojanas come.
- Basic infrastructure (energy transport, communication, irrigation)

12) Ninth five year plan (1997 to 2002)

- Growth with equity and distributive justice.
- Equitable distribution and growth with equality.
- To give priority to the development of agriculture and villages for eradicating poverty.
- To accelerate pace of economic development by keeping the price stable & under control.
- To create sufficient productive employment.
- Improve lifestyle, remove environmental imbalances.
- To ensure provision of food and nourishment to all and especially to weaker sections of society.
- To provide the basic minimum services like clean drinking water, primary health care facility, universal primary education & housing (basic facilities).
- To control population growth rate.
- To encourage & develop the mass participation institutions, co-operative & voluntary sections.
- To provide strengthen to women especially the weaker sections of SC & ST & backward castes, handicap.
- NEAS- national employment assurance scheme.
- To ensure better life, improve living of standard of people

13) Tenth five year plan (2002 to 2007).

- Growth with human development.
- Reduction of poverty ration by 5% points by 2007 and by 15% points by 2012.
- Providing gainful & high quality employment at least to addition to the labor force over the 10th plan period.
- All children in school by 2003, all children to complete 5yrs of schooling by 2007.
- Reduction in gender gap in literacy & wage rate by at least 50% by 2007.
- Reduction in decadal rate of population growth between 2001 & 2011 to 16.2%.
- Increase in literacy rate to 75% within the plan.

- Reduction of infant mortality (IMR) to 45 per 1000 live births by 2007 and to 28 per 1000 live by 2012.
- Reduction of maternal mortality rate (MMR) to 2 per 1000 live birth by 2007 as to 1 per 1000 live.
- Increase in forest and tree covers to 25% by 2007 and 33% by 2012.
- All villages to have sustained access to potable drinking water within the plan.
- Cleaning of all major polluted river by 2007 & other by 2012.
- Doubling the per capita income in next 10 years.

14) Eleventh five year plan (2007 to 2012).

- It setup the economic growth rate at 9% but it was revised 8.1% due to economic crisis by Mr. Montek Singh Alluwaliah.
- Increase in agricultural GDP growth rate 4% per year.
- Fast sustainable & more inclusive growth.
- Industrial growth 9.2% in 10th plan and want between 10% and 11%.
- Manufacturing 12% .58 million new work opportunities.
- Reduce educated unemployment to 5% below.
- Increase literacy rate for persons of age 7 or more to 85%.
- Reduce total fertility rate 2.1% provide clean drinking water.
- Reduce malnutrition between child 0-3 years, reduce anemia among women & girls.
- Raise sex ratio for age group 0-6 to 935 by 2011-12 & 950 by 2016.
- 33% beneficiaries of government schemes to girls & women.
- Ensure electricity connection to all village & BPL family by 2009.
- Provide telephone by Nov 2007 and broadband connectivity by 2012.
- Increase forest area by 5% points.
- Much stress on agriculture (4%).
- Promoting industrial (10-11%).
- Focus on service sector (9-11%) 15).

15) Twelve five year plan (2012 to 2017).

- Enhancing skills and faster growth & generation of employment.
- Managing the environment.
- Market for efficiency & inclusions.
- Decentralization empowerment & information.
- Securing energy future for India.
- Rural transformation and sustained growth of agriculture.
- Improved access to quality education.
- Better preventive, curative health care as government providing free treatment to pregnant women.
- Vision is of rapid, sustainable and more inclusive growth.
- Enhancing the capacity for growth- today GDP is 8% increase it to 9% or 10%, mobilization of investment resources, better allocation of resources, higher investment in infrastructure through public & PPP, efficient use of public resources.
- Enhancing skills and faster generation of employment.
- Managing the environment.
- Market for efficiency & inclusion.
- Decentralization , empowerment & information.
- Technology & innovation.
- Securing the energy future for India.
- Accelerated development of transport infrastructure.
- Rural transformation & sustained growth of agriculture.
- Managing the environment.
- Improved access to quality education.
- Better preventive & curative healthcare.
- GDP= 8%, agriculture – 4%, manufacturing- 7.1%, industrial- 7.6%, service sector- 9%.
- Every state must have a higher average growth rate in 12th plan.

- Head count ratio of consumption poverty to be reduced by 10% points over the preceding estimate.
- Generate 50 million new work opportunities in the non-farm sector & provide skill certification to equivalent.
- Mean year of schooling to increase to 7 year by end of 12th plan.
- Enhance access to higher education by creating two million additional seats for each age cohort aligned to skill needs of economy.
- Elimination of gender & social gap in school enrollment (between boys & girls, SC & ST).
- Reduced IMR to 25 per 1000 live and MMR to 1 per 1000 lives, improve sex ratio (0-6 yr.) to 950 by end of 12th plan.
- Reduced total fertility rate to 2.1 by end of 12th plan.
- Reduced under- nutrition among children age (0-3 yr. to half of NFHS-3 levels by end 12th plan.
- Increase investment in infrastructure as per of GDP to 9%.
- Increase gross irrigated area 90 million hectare to 103 million hectare.
- Provide electricity to all villages.
- Upgrade national & state highways to minimum 2 lane standard.
- Complete eastern & western dedicated freight corridors.
- Increase rural tele density to 70%.
- Ensure 50% of rural population has access to 55 LPCD piped drinking water supply & 50 % Gram Panchayat achieve the nirmal gram status.
- Increase green cover by 1 million hectare.
- Add 30000 MW of renewable energy capacity.
- Reduce emissions intensity of GDP in line with the target of 20% to 25% reduction by 2020 over 2005 levels.
- Provide access to banking services to 90% Indian houses.
- Major subsidies & welfare related beneficiary payments to be shifted to a direct cash transfer by end.

List showing names of Chairman, Planning Commission

- ❖ JAWAHARLAL LAL NEHRU MARCH, 1950 27.05.64
- ❖ LAL BHADUR SHASTRI JUNE, 64 JAN, 66
- ❖ SMT. INDIRA GANDHI JAN, 66 24.03.77 JAN, 80 31.10.84 D) MORARJI DESAI 25.03.77 09.08.79
- ❖ CHARAN SINGH 10.08.79 JAN, 80
- ❖ RAJIV GANDHI NOV, 84 DEC, 89 G) V.P. SINGH 22.12.89 NOV, 90
- ❖ CHANDRA SHEKHAR DEC, 90 24.6.91
- ❖ P.V. NARASIMHA RAO JUNE 1991 15.05.96
- ❖ ATAL BEHARI VAJPAYEE 16.05.96 31.05.96 K) H.D. DEVE GOWDA 01.06.96 20.04.97
- ❖ I.K. GUJRAL 21.04.97 18.03.98
- ❖ ATAL BIHARI VAJPAYEE 19.03.98 22.05.2004
- ❖ DR. MANMOHAN SINGH 22.05.2004
- ❖ DR. MANMOHAN SINGH 26.05.2014

CONSUMER PROTECTION ACT 1986

- ❖ It was introduced to protect the interest of the consumers & to check their exploitation from producers & consumers.
- ❖ It came into force on 1st July 1987 all over the states except Jammu & Kashmir.
- It is also known as COPRA
- Under this act consumer's forum have been constituted at district, state and national level.
- COPRA was amended in 1993 and 2002

MISCELLANEOUS: Various committee

- Hazari committee – Industrial policy.
- Subimal dutt committee- Industrial licensing.
- Abid Hussain committee- small scale industry.
- C Rangarajan- committee on disinvestment.
- Arjun sengupta- MOU.

- ✓ AC shah committee- NBFC.
- ✓ Bimal Jalan committee- market infrastructure instruments.
- ✓ Malegam committee- micro finance.
- ✓ Birla committee- corporate governance.
- ✓ Kirti parekh committee- petroleum products.
- ✓ Chaturvedi committee- national highways.
- ✓ SR Hashim committee- urban poverty.
- ✓ Abhijit sen- wholesale price index.
- ✓ C Rangarajan- services price Index.
- ✓ Abid hussian committee- developments of capitals markets.
- ✓ Damodaran committee- customer service in banks.
- ✓ Khandelwal committee- human resources in commercials banks.
- ✓ Patil committee- corporate debt.
- ✓ Vk Sharma committee- credit to marginal farmers.
- ✓ Sarangi committee- NPAs.
- ✓ Khanna committee- RRB.
- ✓ Dantawala committee- lead bank scheme.
- ✓ Gadgil committee- financial inclusions.
- ✓ S C Sahoo committee – capital market.
- ✓ FKF Nariman committee- branch expansion programme.
- ✓ Khusro committee- small and cottage industry.
- ✓ N Narsimhan committee- establishment of RRBs.
- ✓ B Shivraman committee- establishment of NABARD.
- ✓ Chakravarty committee- review of monetary system in banking industry.
- ✓ A Ghosh committee- priority sectors and 20 point programme.
- ✓ Uk Sharma- review of lead bank scheme.
- ✓ Tiwari committee- industrial sickness and rehabilitation of sick units.
- ✓ Vaghu committee- money market.
- ✓ GS Patel- management of stock exchange.
- ✓ Sm Kelkar- RRB.
- ✓ M N Goporia committee- customer service requirement.
- ✓ M Narsimhan committee- financial sectors reforms.
- ✓ S A Dave committee- functioning of mutual funds.
- ✓ Raj Chelliah committee- tax reforms.
- ✓ Ghosh- frauds and malpractices in banks.
- ✓ Tarapore committee- capital account convertibility.
- ✓ LC Gupta committee- financial derivatives.
- ✓ M S Verma committee- measures for weak banks.
- ✓ Goswami committee- industrial sickness and exit policy.

EXPECTED MCQS

1. _____ Consists of economic conditions, economic policies, industrial policies and economic system
 - a. Business environment
 - b. Economic environment
 - c. natural environment
 - d. none of the above

Answer: B

2. An analysis of the external environment enables a firm to identify
 - a. Strength and opportunities
 - b. Strength and weakness
 - c. weakness and threats
 - d. opportunities and threats.

Answer: D

3. These are forces in the company's immediate environment that affect the performance of the Co.
- a. Macro environment
 - b. Micro environment
 - c. technological environment
 - d. natural environment

Answer: a

4. In this type of economic system, the govt intervention will be absent
- a. Free enterprise economy
 - b. Socialist economy
 - c. mixed economy
 - d. none of the above

Answer: a

5. _____ is an economic system where the means of production are owned and managed by the state
- a. Capitalism
 - b. Socialism
 - c. mixed economy
 - d. common economy

Answer: b

6. The foreign exchange management act (FEMA), 1999 came into effect from
- a. 2nd December 1999
 - b. 9th December 1999
 - c. 1st January 2000
 - d. 1st June 2000

Answer: d

7. Which of the following are objectives of FEMA 1999
- a. To consolidate and amend the law relating to foreign exchange of India.
 - b. To promote the orderly development and maintenance of foreign exchange markets in India.
 - c. To facilitate external trade and payments.
 - d. All of the above.

Answer: d

8. Consider the following statements:

- 1. According to the provisions of FEMA, 1999, cash in the form of coins and bank notes are included in currency notes.
- 2. According to the FEMA's provisions, ATM cards are not included in currency.
- 3. All money orders can be treated as currency.

Which of the above statements are not true.

- a. Only 1
- b. Only 2
- c. only 1 & 3
- d. only 3

Answer: b

9. According to the section 2 of the FEMA 1999, the term 'transfer' includes

- a. Sales
- b. loan
- c. mortgage
- d. all of the above

Answer: d

10. Which of the following transactions shall not be included in the 'current account transactions'?

- a. Expenses in connection with foreign travel.
- b. Expenses in connection with medical case of parents
- c. Capital account transactions.
- d. Payments due as interest on loans and as net income from investments.

Answer: c

11. According to the FEMA 1999, all postal notes, postal orders, cheques, drafts etc. shall be treated as

- a. Cash instruments
- b. Currency notes
- c. Currency
- d. Non-cash instruments

Answer: c

12. According to the section 2 (c) of the FEMA, 1999, which of the following has been included as 'authorised person' to deal in foreign exchange or foreign securities?
- Off-shore banking unit
 - Money changer
 - Authorized dealer
 - All of the above

Answer. d

13. In India, who is empowered to issue directions to authorized persons?
- SEBI
 - RBI
 - IRDA
 - FEMA

Answer. b

14. Which sections of the FEMA, 1999 describes provisions regarding 'amount of penalty'?
- Section 11(6)
 - Section 12(3)
 - section 13(1)
 - section 14(2)

Answer c

15. According to the FEMA, 1991, if any person contravenes any provisions of this Act, he shall be liable to a penalty?
- Up to thrice the sum involved in such contravention where such amount is quantifiable.
 - Up to Rs. 2 lakh where the amount is not quantifiable.
 - Both (A) and (B)
 - Up to twice the sum involved in such contravention where such amount is quantifiable.

Answer. c

16. According to FEMA, 1999, who is empowered to appoint the 'Adjudicating Authority'.
- The central government
 - The reserve bank of India.
 - The SEBI
 - Any of the above.

Answer a

17. Consider the following statements:
- Every adjudicating authority shall have the same powers of a criminal court.
 - The central government can specify the jurisdictions of each adjudicating authority.
 - An appeal against the orders of adjudicating authority may be filled to the special director
- Which of the above statements are not true.

- 1 & 2
- only 1
- only 3
- 1 & 3

Answer. B

18. To hear appeals against the orders of the 'Adjudicating Authority' how many special directors amy be appointed?
- Only one
 - only two
 - only three
 - one or more as per requirement.

Answer: d

19. An appeal against the order of 'adjudicating authority' shall be filed to the 'appellate tribunal' within a period of
- 40 days
 - 45 days
 - 50 days
 - 30 days.

Answer: b

20. Which of the following statements is not correct?
- The benches of the appellate tribunal shall ordinarily sit at Mumbai.
 - A bench may be constituted by the chairperson with one or more members.

- c. A person shall not be qualified for appointment as the chairperson unless he is or has been or is qualified to be, a judge of a high court.
- d. The member shall hold office for a term of 5 years.

Answer: a

21. The chairperson or a member may resign to.

- a. The RBI
- b. the FEMA
- c. the central government
- d. the SEBI

Answer: c

22. K.K. Sharma is an exporter of umbrellas, what are the main duty or duties of Mr. Sharma under the FEMA, 1999?

- a. To furnish the information relating to his total business
- b. To furnish the information relating to such exports
- c. To furnish the information relating to realization and repatriation of foreign exchange on such exports
- d. Both (A) and (B)

Answer: d

Consumer Protection Act-1986

1. In India, the consumer protection act-1986 (COPRA) was passed on

- a. 1st December 1985
- b. 5th December 1985
- c. 25th December 1985
- d. 1st January 1986

2. The consumer protection Act- 1986 came into force on

- a. 1st April 1986
- b. 15 April 1986
- c. 1st January 1987
- d. 15th April 1987

3. Which of the following is a correct statement?

- a. The COPRA extends to the whole of India.
- b. The COPRA shall apply to all goods and services.
- c. The COPRA was amended in the year 2011.
- d. None of the above.

4. Consider the following statements:

- 1. Services rendered under a contract of personal service is covered under definition of 'service' in the COPRA 1986.
 - 2. According to the provisions of the consumer protection act 1986, a person who receives medical treatment in a government hospital is not a consumer.
- a. Both the statements are incorrect.
 - b. Both the statements are correct.
 - c. First is correct, but second is incorrect.
 - d. Second is correct but first is incorrect.

5. According to the COPRA, the term 'person' may includes

- a. a registered or unregistered firm
- b. a Hindu undivided family
- c. a cooperative society
- d. all of the above

6. the COPRA 1986 provides for establishment of 'consumer protection councils'

- a. to promote the rights of traders.
- b. To protect the rights of governments
- c. To promote the district forums in the country
- d. To promote and protect the rights of consumers.

7. Every consumer has a right to

- a. Remuneration
- b. Consumer education
- c. Participation in the meeting
- d. All of the above

8. The main objectives of the central consumer protection council are

- a. The right to be protected against the marketing of goods and services which are hazardous to life and property
- b. The right to consumer education
- c. The right to be assured
- d. All of the above

9. The state government shall establish for every district, by notification, a council to be known as the

- a. District court
- b. District board
- c. District consumer protection council.
- d. All of the above

10. District forum is a

- a. Redressal agency
- b. Risk analysis agency
- c. board
- d. all of the above

11. Who shall be president of a district forum?

- a. President of India.
- b. District judge
- c. Indain administrative officer
- d. None of the above

12. Which is the term of consumer protection act?

- a. Complain
- b. Complainant
- c. penalties
- d. all of the above

13. Who is a complainant?

- a. A consumer
- b. President of india
- c. idiot
- d. lunatic

14. Manufacturer means a person who

- a. Sale the product and services
- b. Sale the moveable goods and services

- c. Makes or manufacturers any goods or parts thereof
- d. All of the above.

15. District forum is established by

- a. The collector
- b. The surpanch
- c. The state government
- d. The consumer

16. State commission is established by the

- a. State government
- b. Central government
- c. president
- d. minister

17. National commission is established by the

- a. State government
- b. District court
- c. president
- d. central government

18. Which are consumer forum?

- a. District forum
- b. State commission
- c. national commission
- d. all of the above

19. The maxium age limit of a member of national commission is

- a. 65 years
- b. 70 years.
- c. 75 years
- d. 80 years.

20. National commission can entertain complaint claiming

- a. Upto Rs 20 lakh
- b. Upto Rs 50 lakh
- c. upto Rs 1 crore
- d. exceeding Rs 1 crore

21. The number of rights of a consumer vide section of the consumer protection act, 1986 is

- a. 2
- b. 4
- c. 6
- d. 8

22. A person who is or has been a judge of a high court may be president of

- a. District forum
- b. State commission
- c. national commission
- d. none of the above

23. District forum in a district, can be

- a. One
- b. more than one
- c. only two
- d. only three

24. Goods includes

- a. Books
- b. Furniture or magazine
- c. newspares
- d. all of these

25. National commsiion's jurisdiction extends to the

- a. Whole of india
- c. whole of district

- b. Whole of state d. none of the above

26. The provision for establishment of a 'district consumer protection council' was made by the year

- a. 1988 b. 1993 c. 2002. D. 2008

27. Any person aggrieved by an order made by the 'district forum' may prefer an appeal against such order to the

- a. Collector of the district c. national commission
b. State commission d. none of the above

28. The district forum shall have the same powers as are vested in a

- a. Civil court c. both a & b
b. Criminal court d. none of the above

29. Which of the following is incorrect statement?

- a. The national commission is a independent institution
b. The national commission has administrative control over the state commission
c. A person who is or has been judge of high court may be appointed the president of national commission
d. A member of district forum can hold up to the age of 65 years.

ANSWER KEYS:

1=B	2=D	3=B	4=D	5=D	6=D	7=B	8=D	9=C	10=A
11=B	12=D	13=A	14=C	15=C	16=A	17=D	18=D	19=B	20=D
21=C	22=B	32=B	24=D	25=A	26=C	27=B	28=C	29=C	

Practice sets

1. A human being takes birth in which situation period and country and serve for his life is known as its

- a. Society c. family
b. Environment d. none of the above

2. Business environment is formed by those institutions and power on which business have _____ control

- a. Complete c. no
b. Very less d. none of these

3. _____ of business activities is done to business environment.

- a. Management c. coordination
b. Planning d. none of these

4. Which of the following is not studied in business environment?

- a. National income c. management of business function
b. Cultural customs d. all of the above

5. Factors of business generally depends on which environment?

- a. Social
- b. Natural
- c. human
- d. physical

6. Which of the following is not a form of business environment?

- a. Partnership
- b. Monopoly trade
- c. joint capital company
- d. employees

7. Business environment is more descriptive and _____

- a. Simple
- b. Large
- c. complex
- d. none of these

8. _____ are the main features of business environment?

- a. Moving
- b. Large
- c. complex
- d. none of these

9. Result of technological environment in business environment is

- a. E-commerce
- b. E-banking
- c. both a & b
- d. none of these

10. Which of the following statement is not true about business environment?

- a. It effects working capacity of business
- b. Business environment always changes
- c. It affects operation of business
- d. A businessman had complete control over business environment.

11. Analysis of policies is done on the basis of

- a. Forecasting
- b. Change according to time
- c. both a and b
- d. none of these

12. Which of the following is the part of development of competitive ability?

- a. Product quality
- b. Ognorance of cost
- c. least customer preference
- d. all of the above

13. _____ are a feature of the micro environment of an organisation.

- a. Legal factors
- b. Economic factors
- c. social factors
- d. customers

14. Characteristics such as age, income or gender are examples of

- a. Household patterns
- b. Demographics
- c. income distribution
- d. social cultural environment

15. Which of the following is a feature of the micro environment of an organisation.

- a. Distribution channel factors
- b. Social factors
- c. Economic factors
- d. All of the above

16. Globalization is an example of which macro environment factor?

- a. Economic
- b. Social
- c. political
- d. technological

17. Which of the following is not an environmental force, which must be monitored by marketers?

- a. Demographic
- b. Natural
- c. political legal
- d. mega trends

18. _____ are features of macro environment.

- a. Intermediaries
- b. Customers
- c. competitors
- d. legal framework

19. Which of the following is not an element of the micro environment of business?

- a. Suppliers
- b. Competitors
- c. trade policy
- d. public

20. The external environment is composed of

- a. The general and task environment
- b. The task environment and the cultural environment
- c. The global environment and the ecological environment
- d. It enhance vulnerability of political risk.

21. Which of the following is element of internal environment?

- a. Financial institution
- b. Customers
- c. policies and objectives
- d. all of the above

22. Which of the following is not a part of economic environment?

- a. Economic policy
- b. Financial market
- c. economic inequality
- d. all of the above

23. One of the features of the economic environment is

- a. Tradition
- b. Society
- c. life
- d. public policies

24. Which of the following element determine economic environment of the country?

- 1. Economic system
- 2. Policies
- 3. Money & capital market
- 4. Social cost

Select the correct answer using the codes given below

- a. Both 1 and 2
- b. Both 2 and 3
- c. only 3
- d. all of the above

25. China is an example of a _____ system

- a. Mixed economy
- c. capitalism

- b. Socialist d. none of these

26. Laissez faire policy is adopted in

- a. Socialistic economic system
b. Capitalistic economic system
c. Mixed economic system
d. Communist economic system

27. Economic policy is the catalyst component of

- a. Economic environment c. social environment
b. Moral environment d. legal environment

28. Relation between economic environment and policy is

- a. Work and reason c. analog and factor
b. Reactor and analog d. none of these

29. Favourable investment on private investment is called

- a. Effect of fiscal policy c. effect on public credit policy
b. Limits of fiscal policy d. none of the above

30. Which policy helps in modifying investment structure of an economy

- a. Monetary policy c. budget
b. Fiscal policy d. foreign trade policy

31. Which of the following is not an equipment of monetary policy?

- a. Activities of open market c. legal liquidity ratio
b. Cash reserve ratio d. deficit financing

32. Reason of decline of monetary policy is

- a. Wide non-monetary region C. Measuring credit money
b. Flow of black money D. All of the above

33. Which function is not performed by the government for promotion of economic environment?

- a. Nature the mentality of country's development
b. Exploitation of environment
c. Effects proper utilization of resources
d. All of the above

34. Which among the following is an essential feature of mixed economy?

- a. Co-existence of small scale and large scale industries
b. Co-existence of private and public sectors
c. Assigning equal importance to both agriculture an heavy industries.

35. _____ is the economic system whereby the state holds broad powers to serve the public interests, it decides what goods and services are produced and in what quantities and demand typically exceeds supply.

- a. Centrally planned socialism
- b. Market socialism
- c. Centrally planned capitalism
- d. Market capitalism

36. Which of the following statement is incorrect?

- a. Economic system is not the feature of mixed economy.
- b. Price mechanism is not affective in socialist economy.
- c. Classless society is a feature of socialist economy.
- d. Socialism is an universal economic system.

37. Which of the following is not the objective of fiscal policy in India?

- a. Enhances liquidity in economy.
- b. Promote employment opportunities
- c. Promote price stability
- d. Remove income an asset inequality

38. The _____ environment is composed of laws, government agencies an pressure groups?

- a. Demographic
- b. Economic
- c. social-culture
- d. political legal

39. Which one of the following service is not covered under consumer protection act?

- a. The service of teacher
- b. The service of lawyer
- c. The service of doctor
- d. The service of banker

40. A central consumer protection council established by the

- a. State government
- b. Central government
- c. parliament
- d. president of India

41. Which of the following is not a part of machinery that settkes undustrial disputes?

- a. Wage court
- b. Works committee
- c. conciliation officers
- d. board of conciliation

42. The redressal form of consumer consists of

- a. National consumer forum
- b. District consumer forum
- c. both a & b
- d. none of the above

43. A district forum should not consist of

- a. A person who is qualified to be a district judge who shall be its president
- b. A lady social worker
- c. A person who is or has been judge of a High Court.
- d. None of the above

44. Which of the following is not a way to implement CSR by organisation?

- a. Environment sustainability
- b. Energy conservation
- c. Community involvement
- d. Ethical marketing process

45. In relation in the 'veil of incorporation' that is a feature of a limited company's separate legal personality, in which of the following circumstances will a court not lift the veil to identify the true nature of the relationship?

- 1. Where the company has been established to commit a fraud.
- 2. Where the company has been established to contractual agreements.
- 3. In the interests of justice.
- 4. Where two separate legal entities are run as one economic undertaking.

Codes:

- a. 1,2 and 4
- b. Both 2 and 4
- c. both 3 and 4
- d. all of the above

46. Arrange the following concepts in the order in which they came into force?

- a. Competition act
- b. Foreign exchange management act
- c. Consumer protection act
- d. Securities and exchange board of india act.

Codes:

- a. 3, 4, 2, 1
- b. 4, 3, 2, 1
- c. 1, 2, 4, 3
- d. 2, 1, 3, 4

47. Consumers have the right

- 1. To be protected against goods and services that are hazardous to life and property.
- 2. To be assured, wherever possible, access to a variety of goods and services at national prices.

Codes:

- a. Both 1 and 2
- b. Only 2
- c. only 1
- d. none of the above

48. If the amount claimed by a consumer as compensation is Rs 89 lakh, the case under the consumers protection act shall be filed with

- a. District consumer redressal forum
- b. State consumer disputes redressal commission
- c. National consumer disputes redressal commission
- d. Supreme court

49. Which of the following is not the responsibilities of the consumers?

- a. The consumer should make vague complaints
- b. The consumer should make a specific complaint with supporting evidence
- c. The consumer should, as a rule complain against a system and not attack individuals who are incumbents of post
- d. Consumers, in asserting their rights should not inconvenience or hurt other sections of the public.

50. According to Charles Brady at Wellington, the main focus of corporate social responsibility should be

- a. Providing employees with good jobs and the opportunity to develop
- b. Giving part of the company's profits to worthy charities
- c. Providing free training to local schools and universities
- d. Making sure the company is as green as possible.

51. Which is one of an advantage to adopt shared value approach while practicing CSR for an organisation?

- a. Integrates the needs of both the business and the charitable cause
- b. Contributes to the firm by solving only environmental issues
- c. Contributes fastest way to form an alliance and increase engagement among the stakeholders
- d. Creates and interdependence of long term business success on balanced social system

52. Which of the following general principle is not followed by corporation while practicing CSR?

- a. Managers are not responsible to follow and encourage ethical business practices among employees.
- b. Companies should support the inclusion of the principles of United Nations Global Compact
- c. Companies should encourage and facilitate communication and dialogue with its shareholders, investors, employees, customers and suppliers
- d. Companies should indulge in free market practices rejecting any illegal practices and implement effective mechanism.

53. What does CRS concern with?

- a. How an organisation meet the expectations of its stakeholders.
- b. External stakeholders relationship
- c. The behaviour of individual managers
- d. The ways in which an organisation exceeds its minimum required obligations to stakeholders

54. A stable and dynamic political environment is indispensable for

- (a) business growth
- (b) enhancing the export
- (c) increasing participation
- (d) Both (a) and (b)

55. Which of the following is not an element of social environment?

- (a) Tendency of population
- (b) Individual needs
- (c) Cultural elements
- (d) Policies of competition

56. Which of the following environmental factor is not the reason of political stability?

- (a) Government policies
- (b) Production cost of goods
- (c) War
- (d) Social grudge

57. Tax policy comes under which element of business environment?

- (a) Economic
- (b) Legal

- (c) Social
- (d) Political

58. Tax jurisdiction is an example of which environment factor? ‘

- (a) Social
- (b) Economic
- (c) Political
- (d) Legal

59. Which of the following statement is true?

- (a) Economic system affects economic environment of business
- (b) It's possible to control business environment
- (c) Both (a) and (b)
- (d) None of the above

60. “The environment of business consists of all those external things to which it is exposed and by which it may be influenced, directly or indirectly”. This statement was said by

- (a) Wleer and Torch
- (b) Copen
- (c) Reinecke and Schoell
- (d) Arthur M Weimer

61. Which of the following is not included in features of business environment?

- (a) Business environment includes both types internal and external
- (b) It is not in control of a businessman
- (c) Business environment is movable/continuous
- (d) Activities of business environment are complex in nature

62. Study of business environment is important because

- (a) it gives information about complexity of business
- (b) it provides information about effects of business elements
- (c) Both (a) and (b)
- (d) Only b

63. Which of the following statement is not true?

- a. Mapping of business includes its localisation, result. and progress
- b. Strategies of competitor, knowledge and financial problems are faced in a business
- c. Natural resources of a business affects it internally
- d. External environment does not affect: a business

64. Adoption and promotion of o-commerce by government comes under which element of busineg. environment?

- a. Social
- b. Political
- c. egal
- d. Technological

65. Environment related elements which are closely related with business are known as

- a. special environment (c) general environment
- b. macro environment (d) All of these

66. Which of the following is not an element of micro environment?

- a. Technological factors
- b. Legal-political conditions
- c. Social-cultural factors '
- d. Organisational customs

67. Which of the following statement is not true?

- a. Financial institutions are main elements of internal business environment
- b. Economic system affects economic environment of business
- c. If illegal buying and selling of goods does not comes under business
- d. Legal environment of business is the part of political environment

68. Which of the following is not included in economic policy of government?

- a. Import-export policy
- b. Licensing policy
- c. Industrial DOHCY
- d. Monetary policy

69. Economic environment is affected by

- a. law and order
- b. domestic economic condition
- c. Both (a) and (b)
- d. None of the above

70. Economic elements of business environment are

- a. budget and investment condition
- b. income level
- c. price level
- d. All of the above

71. When was FEMA came into existence?

- a. 7th June, 2000
- b. 31st June, 2000
- c. 20th May, 1999
- d. None of the above

72. FEMA is implemented for

- a. To facilitate external trade and payment
- b. To emphasizes on transparency
- c. Both a and b
- d. None of the above

73. Which of the following can not be included in socio-cultural factors of a business?

- a. Changing preferences
- b. Demographics
- c. Poverty
- d. Techniques

MISCELLANEOUS

Directions (Q. Nos. 74 – 81). In the questions given below are two statements labelled as statement I and statement II. You have to examine these two statements carefully. Select the correct code.

Codes:

- a. Statement I is correct.
- b. Statement II is correct.
- c. Both statements are correct.
- d. Both statements are incorrect.

74. Statement I. Business refers to all those human activities which are related with production and distribution of goods and services.

Statement II. Environment refers to all external forces which have bearing on the functioning of business.

75. Statement I Internal environment refers to the factors internal to the firm.

Statement II these factors are non-controllable.

76. Statement I. external environment refers to external aspects of the surroundings of business enterprises.

Statement II. External environment can categorized into micro and macro environment.

77. Statement I. fiscal policy works as an instrument in economic and social growth of a country.

Statement II. It is framed by the government of a country.

78. Statement I. monetary policy is used to influence the exchange rate of the country's currency.

Statement II. Economic policy may or may not have favourable effect on a business unit.

79. Statement I. the main aim is to protect consumers from immoral practice of business organisation.

Statement II. This law is not helpful to secure consumers and customers from such cheating and market frauds.

80. Statement I. business environment always changes.

Statement II. Society exchanges business for production.

81. Statement I. fiscal policy is decided under budgetary policy of the government.

Statement II. Fiscal policy directly affects buying power of the citizens.

Directions (Q. Nos 82 – 93) in the questions given below are two statements labelled as Assertion (A) and Reason (R). in the context of the two statements, which one of the following is correct?

Codes

- a. Both A and R are true, R is the correct explanation of A.
 b. Both A and B are true, but R is not the correct explanation of A.
 c. A is correct, but R is incorrect.
 d. A is incorrect, but R is correct.
- 82.** Assertion (A). business is responsible for whole society rather than businessman.
 Reason (R) As business converts into independent from its responsibility maximize.
- 83.** Assertion (A). the internal factors are generally regarded as controllable factors.
 Reason (R) since the company has control over internal factors.
- 84.** Assertion (A). Micro environment is also known as operating environment of business.
 Reason (R). Micro environment forces have a direct bearing on the operations of the firm.
- 85.** Assertion (A) Environmental understanding provide enough information regarding the need of consumers.
 Reason (R). Environmental understanding is not a early warning system.
- 86.** Assertion (A) Business environment is of two types external and internal environment.
 Reason (R). Micro environment is related to external environment of the organisation.
- 87.** Assertion (A) Business environment does not affect much on the decision-making of the companies.
 Reason (R). Business environment is related to all external forces outside the organisation.
- 88.** Assertion (A). high intensity of competitive rivalry can make an industry more competitive and decrease profit potential for the existing firms.
 Reason (R). Industry with excess production capacity will have greater among competitors.
- 89.** Assertion (A) The private proprietorship is replaced by social ownership as and when we move from a capitalist system to a socialist system.
 Reason (R). under socialism properties are managed by the state
- 90.** Assertion (A). desire competition is generally very high in countries characterized by limited disposable incomes.
 Reason (R) In competitive world the firms has to compete, not only the other firms which market the same or similar products, but also all those who compete for the discretionary income of the consumer.
- 91.** Assertion (A). In the totalitarian socialism, people are free to choose their occupations.
 Reason (R). In the totalitarian socialism, all important means of productions are controlled or owned by the government.
- 92.** Assertion (A). Budget surplus is frequently regarded as an index of fiscal policy actions.
 Reason (R). A decrease in deficit is looked up as indicating restrictive fiscal policy and vice versa.
- 93.** Assertion (A) Small scale industries have an important place in the national economy.
 Reason (R). state has reserved production of some goods exclusively for the small scale industries.
- 94.** Match the following.

LIST – I	LIST – II
A. Internal environment	1. Skilled labour
B. External environment	2. Financial and physical resources
C. Financial resources	3. Customer and competitor

D. Human resource**4. Financial and profitable use of funds**

Codes:

	A	B	C	D	
a.		2	3	4	1
b.		2	4	1	3
c.		3	1	2	4
d.		4	3	2	1

95. Match the following

List – I	List – II
a. Micro environment	1. Interest rate
b. Macro environment	2. Restrictions of WTO
c. Political environment	3. Suppliers
d. Globalization environment	4. Planning commission

Codes:

	A	B	C	D	
a.		3	1	4	2
b.		2	4	1	3
c.		1	3	2	4
d.		3	2	4	1

96. Match the following

LIST – I	LIST- II
A. Social factors	1. Increment and reduction in price of fuel
B. Political factors	2. Primary function of business
C. Economic factors	3. Customs, traditions and assumptions
D. Analysis of needs and interest of customers	4. Industrial policy of government

Codes:

	A	B	C	D	
a.	4	2	1	3	
b.	3	4	1	2	
c.	1	2	3	4	
d.	4	3	2	1	

97. Match the following.

LIST-1	LIST-II
A. Natural environment	1. High research and development budget
B. Technological environment	2. Peoples vies on nature
C. Political environment	3. Increase cost of energy
D. Cultural environment	4. Increase in public interest group

Codes:

	A	B	C	D
a.	3	1	4	2
b.	2	4	3	1
c.	2	4	1	3
d.	3	2	4	1

98. Match the following

LIST-I (ECONOMIC SYSTEMS)	LIST-II (FEATURES)
A. Traditional economy	1. Provides only those goods and services which are required for the survival or which they want to consume
B. Capitalism	2. The freedom of occupation is absent or restricted
C. Socialism	3. consumers have complete freedom of choice of consumption
D. mixed economy	4. the private sector operates primarily with a profit motive and public sector seeks to achieve social welfare.

Codes:

	A	B	C	D
a.	3	1	4	2
b.	1	4	3	2
c.	1	3	2	4
d.	3	2	4	1

99. match the following.

List- I	List – II
a. capitalist economy is the economy in which	1. condition of complete employment
b. main feature of capitalist economy	2. mixed economy
c. main feature of socialist economy is	3. skilled production
d. capitalist and socialist economy includes	4. individual ownership own main sources of production and distribution

Codes:

	A	B	C	D
a.	4	3	1	2
b.	4	3	2	1
c.	1	2	3	4
d.	4	1	2	3

100. match the following

List –I	List – II
---------	-----------

a. The essential commodities act	1. 1937
b. Agricultural products grading and marketing act	2. 1958
c. The prevention of food adulteration act	3. 1955
d. Trademarks and merchandise marks act	4. 1954

Codes:

	A	B	C	D
a.	1	3	2	4
b.	2	4	1	3
c.	3	1	2	4
d.	1	2	3	4

ANSWER KEY'S

1=b	2=b	3=a	4=a	5=b	6=d	7=c	8=c	9=c	10=d
11=c	12=d	13=d	14=b	15=a	16=d	17=d	18=d	19=c	20=a
21=c	22=b	23=d	24=a	25=c	26=b	27=a	28=c	29=c	30=b
31=d	32=b	33=b	34=b	35=a	36=a	37=a	38=d	39=a	40=b
41=a	42=c	43=c	44=c	45=a	46=a	47=a	48=b	49=a	50=a
51=d	52=a	53=d	54=a	55=d	56=b	57=b	58=d	59=a	60=c
61=d	62=c	63=d	64=b	65=a	66=d	67=a	68=c	69=c	70=a
71=a	72=c	73=c	74=c	75=a	76=c	77=c	78=c	79=a	80=c
81=d	82=a	83=a	84=a	85=c	86=a	87=d	88=b	89=b	90=b
91=d	92=c	93=a	94=a	95=a	96=b	97=d	98=c	99=a	100=b

PREVIOUS YEARS'S QUESTIONS

June/December-2020

1. Match list-I with list-II

List-I

- Steffan linder
- Raymond Vernon
- Hecsher ohlin
- Adam smith

List-II

- product life cycle theory
- Country similarity theory
- Absolute advantage theory
- Factor proportion theory

Choose the correct answer from the options given below

- A-IV, B-III, C-II, D—I
- A-II, B-I, C-IV, D-III
- A-I, B-III, C-IV, D-II
- A-III, B-II, C-I, D-IV

ANSWER: 2

2. Statement-I monetary policy causes a deliberate change in government revenue and expenditure with a view to influencing the price level and the quantum off national output.

Statement-II fiscal policy regulates the money supply and the cost and availability of credit

Choose the right option from the given below:

- Both statement I and statement II are correct.
- Both statement I and statement II are incorrect.
- Statement I is correct but statement II is incorrect.

4. Statement I is incorrect but statement II is correct.

Answer: 2

3. As per Carroll model, the four levels of corporate social responsibility are:

1. Physical, economic, social and legal
2. Physical, economic, legal and ethical
3. Philanthropic, economic, legal and ethical
4. Philanthropic, economic, social and ethical

Answer: 3

5. EPRG framework in International business refers to

1. Ethno, poly, region, geo transformations
2. Ethnocentric, polycentric, regiocentric and geocentric orientations
3. Ethics, policies, regulations, guidelines orientations
4. Every person refers global framework

Answer: 2

5. Mercosur, a South American trade block is a:

1. Free trade area
2. Common market
3. Custom union
4. Economic cooperation

Answer: 2

6. Which of the following are possible negative impacts of FDI on domestic firms in host countries?

- a. Market monopoly
- b. Technology dependence
- c. increased competition
- d. profit outflow

Choose the correct answer from the options given below:

1. A b
2. B c
3. a b d
4. b c d

Answer: as per official key *

December-2019

4. Given below are two statements. One is labeled as Assertion and the other is labeled as Reason
Assertion (A) Globalisation refers to the free cross-border movement of goods, services, capital, information and people.

Reason (R) countries are consistently evolving innovative marketing barriers that are WTO compatible.

In the light of the above statements, choose the correct answer from the options given below:

1. Both (A) and (R) are true and (R) is the correct explanation of (A)
2. Both (A) and (R) are true but (R) is not the correct explanation of (A)
3. (A) is true but (R) is false
4. (A) is false but (R) is true

Answer: 2

5. According to FEMA, foreign exchange does not include

1. Deposits payable in any foreign currency
2. Bills of exchange drawn in Indian currency but payable in any foreign currency.
3. Travellers cheques drawn by institutions outside India but payable in Indian currency
4. Draft drawn by banks outside India and payable in foreign currency

Answer: 4

6. In which of the following years, the Bretton Woods agreement was signed by the delegates from 44 nations which led to the establishment of the IMF?

1. 1940
2. 1952
3. 1944
4. 1957

Answer: 3

7. Which of the following are part of corporate social responsibility to consumers?

- e. Reasonable chances and proper system for accomplishment and promotion
- f. To supply goods at reasonable prices even when there is sellers market
- g. Improving the efficiency of the business operation
- h. To provide an opportunity for being heard and redress genuine grievances.

Choose the correct answer from the options given below:

1. A & b 2. B & d 3. B & c 4. A & c

Answer: 2

5. Which one of the following is not correct according to the consumer protection act?
1. District forum shall consist of a lady social worker
 2. State commission shall consist of person who is or has been a judge of a high court
 3. District forum shall consist of four members
 4. National consumer disputes redressal commission shall consist of a person who is or has been a judge of the supreme court.

Answer: 3

5. Which of the following are the function of WTO?
- a. To facilitate the implementation, administration and operation of trade agreement
 - b. To carry out periodic reviews of the trade policies of its member countries
 - c. To assist in the establishment of a multilateral system of payments
 - d. To promote international monetary cooperation
- Choose the correct option from the following

1. A and d 2. B and c 3. C and d 4. A and b

Answer: 4

6. Match list-I with list-II

List-I	List-II
a. Size of the market	i. Globalization of business
b. Demographic environment	ii. Foreign trade policy
c. Export oriented units	iii. Macro environment
d. Multinational corporations	iv. Non economic environment

Choose the correct option from given below:

1. A - iv b-ii c-iii d-i
2. A-ii b=iii c-I d-iv
3. A-iii b-ii c-I d-iv
4. A-iii b-iv c-ii d-i

Answer: 4

7. Which one is odd
1. Economic policies 3. Socio cultural factors
 2. Economic planning 4. Macro economic scenario
- Answer: 3

8. What are the drivers of globalization?
- a. Population mobility especially of labour
 - b. Financial flows
 - c. Exporting
 - d. Assembly operations

Choose the correct answer from the following

1. A and d c. a and b
2. B and d d. c and d

Answer: 3

9. Which of the following laws affect business organisations?
1. Incorporation and bankruptcy laws
 2. Environmental protection laws
 3. Occupational health and safety laws
 4. Competition laws

Answer: 1

December 2018

1. Match the items of List I with the items of List II and choose the correct answer from the code given below.

List -I

- A. Rival firms
- B. Technology
- C. Improving quality
- D. Ethics in business

Codes

List - II

- 1. External environment
- 2. Social and cultural environment
- 3. Internal environment
- 4. Global environment

	A	B	C	D
a	1	2	3	4
b.	2	3	4	1
c.	3	1	4	2
d.	4	1	2	3

JULY-2018

2. The central bank can significantly influence the savings, investments and consumer spending in the economy through which of the following policy?
- a. Fiscal policy
 - b. Monetary policy
 - c. Industrial policy
 - d. Foreign exchange policy
3. Which of the following is not the characteristic of capitalism?
- a. Individuals and associations behave with economic motive of maximizing their profit with least sacrifice or cost
 - b. The country's major means of production are either owned by the government or their use is controlled by the government
 - c. Producers, consumers and employees compete among themselves as the resources and opportunities are limited
 - d. Price, the invisible hand, plays a predominant role in the flow of the factors of production and consumption
4. Which of the following statement is not correct relating to consumerism?
- a. Consumerism is a manifestation of the failure of the business to guarantee and ensure consumer legitimate rights.
 - b. The government does not have any role in consumer protection as it is the part of business organisation alone
 - c. The consumers should accept consumerism as a means of asserting and enjoying their rights
 - d. Consumerism evolution is not a setback for marketing but rather points to the next stage in the evolution of enlightened marketing
5. Which of the following is not the silent feature of the industrial policy developments since 1991?
- a. The scope of the private sector has seen enormously expanded

- b. Public sector has been withdrawing partially or fully from several of the enterprises by divestment
- c. The Indian industry is increasingly exposed to foreign competition
- d. Monopoly or dominant position for public sector in most of the industries and control of the commanding heights of the economy by the public sector

NOVEMBER 2017

6. Which one of the following is not correct relating to competition policy and law?
- a. Collusion and dominance have potential for unfair competition.
 - b. The appeal against decisions of competition commission of India can be made to the competition appellate tribunal
 - c. State monopolies, government's business policies and functioning of regulatory authorities cannot be scrutinised under this law
 - d. Abuse of dominance rather than dominance should be the key for competition policy law.

7. Match items of List I with List II relating to macro environment of business and indicate the code of correct matching.

List-I	List - II
a. Economic environment	1. Ethical issues
b. Political and government	2. Trade and transport policies environment
c. Socio-cultural environment	3. Economic stratification of population
d. Demographic environment	4. Judiciary powers

Codes

	A	B	C	D
a.	2	4	1	3
b.	1	3	2	4
c.	4	2	3	1
d.	3	1	4	2

8. Match the items of list-I and list-II and indicate the correct code of matching.

List-I	List-II
a. Micro external environment	1. Economic and political factors
b. Macro external environment	2. Competition among diverse products targeting disposable income of consumers
c. Non-profit competition	3. Input suppliers
d. Desire competition	4. Sponsoring of events like sports

Codes:

	A	B	C	D
a.	3	1	4	2
b.	2	3	4	1
c.	4	2	3	1
d.	4	1	2	3

January 2017

9. Which of the following is not the objective of the competition act 2002?

- Prohibition of restrictive trade practices
- Prohibition of dominant position
- Probation of anti-competitive agreements
- Regulation of combinations

July 2016

10. Which of the following is not a forum of consumer dispute redressal system?

- Local forum
- District forum
- State forum
- National commission

11. Assertion (A) Under FEMA, the receiver of laundered money is to be made culpable, instead of sender or distributor.

Reason (R). FEMA differs from the earlier exchange regulation act FERA with regard to penalties and punishment in case of violation of the act.

Codes:

- A is correct but R is not correct.
- Both A and R are correct but R is not the correct explanation of A
- Both A and R are correct and R is the correct explanation of A.
- Both A and R are incorrect.

12. Match the items of List I with List II

List- I	List -
A. Fiscal policy	1. Mitigation of national hazards
B. Technology policy	2. Balance of payment
C. Macro economic policy	3. Fiscal federalism
D. Monetary policy	4. inflation

Codes:

- | | A | B | C | D |
|----|---|---|---|---|
| a. | 1 | 2 | 3 | 4 |
| b. | 3 | 1 | 2 | 4 |
| c. | 4 | 3 | 1 | 2 |
| d. | 2 | 1 | 4 | 2 |

December 2015

13. environmental degeneration does not consist of

- land degeneration and soil erosion.
- Problem of overgrazing and ecological degeneration
- Floods
- None of the above.

14. Which of the following is not the main objective of fiscal policy of India?

- To increase liquidity in econoy
- To promote price stability

- c. To minimize the inequality in income and wealth
- d. To promote employment opportunities

June 2015

15. From the following, identify the tools of fiscal policy

- 1. Public expenditure
- 2. Open market operations
- 3. Deficit financing
- 4. Taxation
- 5. Reserve requirements

Select the correct answer using the codes given below

Codes:

- a. 1, 3, 4 and 5
- b. 1, 2, 4 and 5
- c. Both 2 and 5
- d. 1, 3 and 4

December 2014

16. Match the following

List-I	List-II
A. Industries development regulation act	1. 1947
B. Import and export control act	2. 1948
C. Foreign exchange management act	3. 1951
D. Factories act	4. 1999

Codes:

- | | A | B | C | D |
|----|---|---|---|---|
| a. | 1 | 3 | 4 | 2 |
| b. | 3 | 1 | 2 | 4 |
| c. | 3 | 1 | 4 | 2 |
| d. | 3 | 4 | 2 | 1 |

17. Which among the following is not a correct sequential combination?

- a. Macro environment → economic environment → national income → pattern of income distribution
- b. Business environment → internal environment → business ethics → payment of fair wages
- c. Business environment → external environment → micro environment → suppliers
- d. Macro environment → external environment → customers → prospects of business development

18. Internal environment of a business includes

- 1. Business ethics and moral standards
- 2. Business and managerial policies
- 3. Prospects of business development
- 4. Government rules and regulations
- 5. Industrial relations.

Select the correct answer using the codes given below

Codes:

- a. 1, 2, 4 and 5
- b. 2, 3 4 and 5
- c. 1, 2, 3 and 4
- d. 1, 2, 3 and 5

June - 2014

19. There is acute shortage of electricity in some of the states in India. This reflects a problem in which type of business environment?

- a. Economic
- b. Demographic
- c. Politico-legal
- d. Socio-cultural

20. The time limit for filing a complaints before the district forum under the, consumer protection act, 1986 is

- a. 1 year
- b. 2 year
- c. 3 year
- d. There is no such time limit

21. The competition act 2002, seeks to regulate

- a. Anti-competitive agreements
- b. Mergers and amalgamation
- c. Unfair trade practices
- d. Both a and b

22. Which of the legislation do not form part of the legal environment of business in India?

- a. The drugs and cosmetics act 1940
- b. The prevention of food adulteration act 1954
- c. The monopolies and restrictive trade practice act 1969
- d. Both b and c

23. Which of the following is true?

- a. A consumer court set-up under the consumer protection act does not have the power to punish for its contempt
- b. Professional services are outside the preview of the CPA
- c. A consumer court can not force a person indulging in misleading advertising to confess his quit
- d. None of the above

December 2013

24. Indicate what is incorrect in respect of the consumer protection act 1986?

- a. No complaint can be entertained in respect of a product purchased more than 2 years back.
- b. A complaint against medical negligence can be filed by legal heir or representative of the deceased

- c. A complaint involving a claim of Rs 15 lakh is to be filed before the state commission.
d. Both a and c

25. Which of the following are outside the scope of the consumer protection act 1986?

- a. Newspaper industry
b. Services provided under contract of personal service
c. Banking industry
d. Both a and b

26. Strategies and policies

- a. Are not closely related
b. Given direction
c. Are the framework for performance appraisal
d. Both a and b

27. The flagship project of government of india launched for generating guaranteed employment in rural areas is known as

- a. PMRY
b. MNREGA
c. JRY
d. NREP

June - 2013

28. Which of the following are sources of ethics?

1. Religion
2. Legal system
3. Economic system
4. Culture
5. Family system

Select the correct answer using the codes given below

Codes:

- a. 1, 2, 3 and 5
b. 1, 2 and 4
c. 1, 4 and 5
d. All of the above

29. Match the following

List - I	List - II
a. Political and legal environment	1. Important for industries directly depending on imports or exports
b. Demographic environment	2. Close relationship with the economic system and economic policy
c. Economic environment	3. Related to natural resources
d. Geographical and ecological environment	4. Occupational and spatial mobilities of population having implications for business

Codes:

	A	B	C	D
a.		2	4	3
b.		2	4	1
c.		1	2	3
d.		1	2	4

30. Consumer attitudes and beliefs about diet, health and nutrition are influenced by

- a. Economic environment
- b. Cultural environment
- c. Social environment
- d. Natural environment

31. Indicate the ground on which a complaint under the consumer protection act 1936 shall be invalid?

- a. A product having short weight
- b. A service provided free of cost
- c. A misleading advertisement given in newspaper
- d. None of the above

32. The apex consumer court in India is referred to as

- a. The consumer education and research centre
- b. The consumer unity and trust society
- c. National consumer disputes redressal commission
- d. None of the above

December 2012

33. Which one is not an element of internal environment

- a. Marketing capability
- b. Operational capability
- c. Money and capital market
- d. Personnel capability

34. Which one of the following is not an element of internal environment?

- a. Mission or objective
- b. Human resource
- c. Customers
- d. Shareholders values

June 2012

35. Assertion (A) Internal factors of business environment are controllable factors. Reason (R). The company can alter or modify such factors to suit the environment Codes.

- a. Both A and R are true
- b. A is correct but R is false

- c. Both A and R are false
- d. A is false but R is true

36. Which one is not an element of legal environment?

- a. Act of parliamentarians in lok sabha
- b. Indian contract act 1872
- c. Indian partnership act 1932
- d. Negotiable instruments act 1881

Answer keys

1= C	2= B	3= B	4= D	5= B	6=C	7=A	8=A	9=A	10=A
11=C	12=B	13=D	14=A	15=D	16=C	17=D	18=D	19=A	20=B
21=D	22=D	23=A	24=C	25=D	26=B	27=B	28=C	29=B	30=B
31=B	32=C	33=C	34=C	35=A	36=A				

PRACTICE SETS

1. _____ is the main aim of economic planning in India?
 - a. Economic growth
 - b. Industrial expansion
 - c. Growth with social justice
 - d. None of these
2. _____ is the apex body of the economic planning in India?
 - a. Planning commission
 - b. Parliament
 - c. Supreme court
 - d. None of these
3. Analyzing process of change on the business environment involves conceptualizing it as
 - a. Diverse
 - b. complex
 - c. dynamic
 - d. static
4. The concept of firms license to operate refers to
 - a. A legal requirement for company registration
 - b. An agreement recognizing trade unions
 - c. The need for a firm to retain its legitimacy in the eyes of the public
 - d. The qualifications needed by company directors
5. The transfer of asset from public sector to the private sector is referred to as
 - a. Privatization
 - b. deregulation
 - c. nationalization
 - d. individuation
6. What is triple bottom line audit?
 - a. A social economic and environmental audit
 - b. An audit of the three major financial project of a business
 - c. An audit by the physical health of employees
 - d. An audit of all the sporting resources of the enterprise

7. What does the PPP of P3 initiative refers to?
 - a. Public policy papers
 - b. Public private partnership
 - c. Private procurement production
 - d. Personal production proposal
8. What does PFI initiative refers to?
 - a. Private finance initiative
 - b. Private fiscal initiative
 - c. Public financial initiative
 - d. Private foundation investment
9. Globalization refers to
 - a. A more integrated and independent world
 - b. Lower income world wide
 - c. Less foreign trade and investment
 - d. Global warming
10. Which of the following do not facilitate globalization?
 - a. Improvements in communication
 - b. Barriers to trade and investment
 - c. Immigration control
 - d. Removal of control on movements of capital across borders.
11. Which of the following is not a deriver of globalization?
 - a. Fragmentation of consumer taste between countries
 - b. The competitive process
 - c. The need to gain economies of scale
 - d. None of these
12. Globalization is beneficial for firms because
 - a. It protects them against foreign competition
 - b. It cushions them from the effects of events on other countries
 - c. It increases the risk and uncertainty of operating in globalizing world economy.
13. Globalization can create problem for business because
 - a. It can result in more competition
 - b. It increases vulnerability to political risk and uncertainty when operating abroad
 - c. It means that they can increase price
 - d. All of the above
14. An environment which is increasing comples and turbulent displays
 - a. More orderly competition
 - b. More predicatble demand
 - c. A reduced risk of product obsolescence
 - d. Increased speed of innovation
15. Which of the following is not a business opportunity generated by globalization?

- a. Access to low cost labour
 - b. Cheap international transport
 - c. Currency crisis
 - d. Less stringent regulations of the business environment
16. To determine a country's attractiveness to business require?
- a. A detailed analysis of elements in the macro environment
 - b. An assessment of the political and financial risks of doing business in that country
 - c. An analysis of the competitive environment
 - d. All of the above
17. Secondary screening involves
- a. An external environment analysis
 - b. Risk analysis
 - c. An external environment analysis and risk analysis
 - d. A competitor analysis
18. The sale of sub standard and hazardous goods under defined conditions constitute
- a. Restrictive trade practice
 - b. Unfair trade practice
 - c. MRTP
 - d. None of these
19. _____ refers to the external forces which have a bearing on the functioning of the business.
- a. Environment
 - b. culture
 - c. system
 - d. none of these
20. _____ is a social movement seeking to augment the rights and powers of buyers?
- a. Consumer movement
 - b. Consumerism
 - c. Flows
 - d. None of these

Answer keys

1=C	2=A	3=C	4=A	5=A	6=A	7=B	8=A	9=A	10=B
11=A	12=C	13=A	14=D	15=C	16=D	17=C	18=A	19=A	20=B

PRACTICE STES

1. Industrial policy of 1948 aims at
 - a. Industrialization
 - b. Growth of agriculture
 - c. Development of infrastructure
 - d. Development of service sector
2. By which Act the government checks restrictive trade
 - a. Industrial policy act 1991

- b. MRTP act
 - c. FEMA
 - d. ICRA
3. The industrial policy resolution was passed
- a. 1931
 - b. 1947
 - c. 1956
 - d. 1999
4. What are the decisions taken by the Govt of India pertaining to the public sector on the new industrial policy of 1991?
- a. VRS to shed the load of excess workers
 - b. Disinvestment of public sector share holding
 - c. Referring sick units to BIFR
 - d. All of the above
5. Privatization of ownership through sale of equity shares is called
- a. Denationalisation
 - b. Disinvestment
 - c. contracting
 - d. none of these
6. Which among these is not a method of privatization?
- a. Denationalisation
 - b. Franchising
 - c. sale of business
 - d. all of the above
7. A possible obstacle to the growth of privatization is
- a. Profit earned by public enterprises
 - b. Sale of lease profitable enterprises
 - c. Licensing
 - d. None of these
8. The credit for investing the word privatization goes to
- a. Elton Mayo
 - b. F.W Taylor
 - c. L Urwick
 - d. Peters Druker
9. The age of discontinuity 1969 has been authored by
- a. John Dryden
 - b. Cyril Debydeen
 - c. peter F Druker
 - d. None of these
10. In India Liberalisation and Privatisation began from?
- a. 1991
 - b. 1971
 - c. 1981
 - d. 1947
11. Globalization means
- a. Setting of firms branches in other countries
 - b. Adopting a global outlook
 - c. Earning profit from exports
 - d. Attracting foreign investment
12. Which one is not the main objective of fiscal policy in India?
- a. To increase liquidity in the economy

- b. To promote price stability
 - c. To minimize the inequities of income and wealth
 - d. To promote employment opportunities
13. Which one and not an element of internal environment
- a. Marketing capability
 - b. Operational capability
 - c. Money and capital market
 - d. Personal capability
14. Environment degradation does not consist of
- a. Land degradation and soil erosion
 - b. Problem of overgrazing and ecological degradation
 - c. Floods
 - d. None of these
15. Liberalization means
- a. Reducing the number of reserved industries from 17 to 8
 - b. Liberating the economy, trade and industry from unwanted restrictions
 - c. Opening up of the economy to the world market by attaining international competitiveness
 - d. Free determination of interest rates
16. Forms of mixed economy consists of
- a. Public sector
 - b. Private sector
 - c. cooperative sector
 - d. none of these
17. Which among these can be a condition for the success of privatization?
- a. Alternative institutional arrangement
 - b. Barriers to enter the market
 - c. Measurability of performance
 - d. All of the above
18. Globalisation means
- a. Adopting a global outlook for business
 - b. Inviting multinational in the country
 - c. Selling in foreign markets
 - d. All of the above
19. Indian Business encounter the following problem in globalization
- a. Infrastructure bottlenecks
 - b. Lack of interest shown by MNCs
 - c. A and B
 - d. None of these
20. Which among these is not a key global force impacting the Indian economy?
- a. Dynamics of capital flows
 - b. Integrating role of purchasing
 - c. Integrating role of technology

- d. Need for attitudinal change

Answer keys

1=A	2=B	3=C	4=D	5=B	6=C	7=B	8=D	9=C	10=A
11=B	12=A	13=A	14=D	15=C	16=A	17=B	18=A	19=A	20=A

PRACTICE SETS'

- Economic environment of business consists of
 - Economic prices
 - Economic standards
 - Economic laws
 - Economic policies
- Which among these is not an objective of planning?
 - Economic growth
 - Setting of heavy industries
 - Modernization
 - None of the above
- Pollution monitoring and control is done by
 - Central board for prevention and control of water pollution
 - Central board for pollution control
 - Central government
 - None of the above
- Micro factors of external business environment does not include
 - Competitors
 - Customers
 - govt policy
 - none of these
- Company images and brand equity is factor affecting business
 - Externally
 - Internally
 - govt policy
 - none of these
- Consumer protection in India is ensured by
 - Consumer protection act 1946
 - Consumer protection act 1986
 - Consumer protection act 1990
 - Consumer protection act 1968
- Which among these is not a restrictive trade practice?
 - Tie up sales
 - Price discrimination
 - Manipulation of prices
 - All are restrictive trade practices

8. Which of the following is not an instrument of monetary policy?
- Deficit financing
 - Statutory liquidity ratio
 - Cash reserve ratio
 - Open market operation
9. The MRTP act 1969 was abolished in
- 1991
 - 2002
 - 2006
 - none of the above
10. Which a company takes over another one and clearly becomes a new owner, the action is called
- Merger
 - Acquisition
 - strategic alliance
 - none of these
11. Globalization is a term used to describe the process of removal of restrictions on which of the following?
- Foreign trade
 - Investment
 - A and B
 - none of these
12. India abolished the quantitative restrictions on imports of 1429 items in 2000 and 2001 as per the commitment to which of the following
- SAFTA
 - GATT
 - WTO
 - NAM
13. The concept of small scale industries was brought to fore by the
- Industrial policy resolution 1948
 - Industrial policy resolution 1956
 - Industrial policy statement 1977
 - None of the above
14. Which of the following does not fall within the jurisdiction of MRTP commission?
- Prevention of monopolistic trade practices
 - Prevention of restrictive trade practices
 - Prohibition of unfair trade practices
 - Regulation of combinations
15. Laissez faire policy is adopted in
- Socialistic economic system
 - Capitalistic economic system
 - Mixed economic system
 - Communist economic system
16. Relaxing the restrictions and controls imposed on business and industrial means
- Liberalization
 - Privatization
 - Globalisation
 - none of these
17. Which of the following is not an objective of competition Act 2002
- Prohibition of abuse of dominant position
 - Prohibition of restrictive trade practices
 - Prohibition of anti competitive agreement

d. Regulation of combinations

18. FEMA signifies

- a. Free export management act
- b. Foreign exchange management act
- c. Foreign exchange monitoring act
- d. Free export marketing act

19. The pre-liberalisation era of Indian economy was under the grip of

- a. Unemployment
- b. Under employment
- c. fiscal deficit
- d. unfavourable and alarming balance of payment

20. If the amount claimed by a consumer as compensation is Rs 89 lacs the case under the consumer protection act shall be filed with

- a. District consumer redressal forum
- b. State consumer disputes redressal commission
- c. National consumer disputes redressal commission
- d. Supreme court

ANSWER KEYS

1=D	2=B	3=A	4=C	5=C	6=B	7=C	8=A	9=B	10=B
11=C	12=C	13=C	14=D	15=B	16=B	17=B	18=B	19=D	20=B

1. The term business environment refers to factors which impact functioning of a firm

- a) External factors
- b) Management related factors
- c) Internal factors
- d) Internal and External factors

2.are generally considered as controllable factors.

- a) Internal factors
- b) Cost of production
- c) External factors
- d) None of these

3. Factors which are beyond the control of a business are called....

- a) Supply
- b) Profit
- c) Demand
- d) External factors

4. Marketing intermediaries are categorized under..... Environment.

- a) External
- b) Micro
- c) Macro
- d) Remote

5. Value system followed by the management of a firm as certain influence on its..... environment.

- a) Internal
- b) Macro
- c) External
- d) None of the above

6. Which among the following is part of micro environment?

- a) Customers
- b) Competitors
- c) Suppliers
- d) All the above

7. Macro environment consist of....

- a) Political system
- b) Culture of the society
- c) Demographic factors
- d) All the above

8. Entry barriers include.....

- a) Capital requirements
- b) Requirement of investment
- c) Monopoly
- d) All the above

9. Low income economies are also called.....

- a) Third world
- b) Developing nations
- c) Under developed nations
- d) Second world

10.sector contributes more than 70% of world GDP

- a) Agriculture
- b) Automobile
- c) Service
- d) Manufacturing

11. The analysis which helps to diagnose the competitive forces and to identify the strength and weakness is called.....

- a) SWOT analysis
- b) Structural analysis
- c) Competitive analysis
- d) Financial analysis

12. A mission statement explains of a firm.

- a) Philosophy
- b) Tasks
- c) Scope
- d) All the above

13. Strategy of a firm is shaped by.....

- a) Mission
- b) SWOT
- c) Objectives
- d) All the above

14. process by which a firm determine whether their strategic choice as implemented in meeting the objectives.

- a) Evaluation of strategies
- b) Screening of strategies
- c) SWOT analysis
- d) None of these

15. Generation of electricity includes in which sector?

- a) Industry
- b) Primary
- c) Tertiary
- d) Service

16. Commodities are the goods produced by sector

- a) Primary
- b) Tertiary
- c) Secondary
- d) None of these

17. involves all those activities encompassing the trade in goods and services

- a) Business
- b) Economic activity
- c) Commerce
- d) Trading

18. Industries receive raw materials as inputs and dispense intermediates or finished goods.

- a) Primary
- b) Manufacturing
- c) Textile
- d) Allied

19.is a form of oligopoly where some degree of differentiation exists between products of different firms.

- a) Perfect oligopoly
- b) Duopoly
- c) Imperfect oligopoly
- d) Monopsony

20. Following are the features of a perfectly competitive industry.

- a) Free entry and exit
- b) Mobility of factors
- c) large number of firms
- d) All the above

21.industries provide essential inputs for the development of other industries and economy.

- a) Capital goods industries
b) Allied industries
c) Service sector
d) Basic industries
22. are goods undergone manufacturing process and are meant for further processing.
a) Intermediate goods
b) Work-in-progress
c) semi-finished goods
d) None of the above
23. is the process of analyzing the environment for the identification of the factors which impact on the business.
a) Environmental analysis
b) Business analysis
c) Environment scanning
d) Factor analysis
24. Is the technique used to forecast the occurrence of complex environmental events.
a) Scenario analysis
b) Economic forecast
c) Business forecast
d) demand forecast
25. is a part of economic policy of a country
a) Industrial policy
b) Export policy
c) Import policy
d) All the above
26. Approaches of a government towards public expenditure and revenue are known as.....
a) Budgets
b) Fiscal policy
c) Monetary policy
d) Industrial policy
27. Monetary policy in India is framed by the.....
a) RBI
b) Ministry of corporate affairs
c) Ministry of finance
d) Planning commission
28. Which of the following is part of monetary policy decision?
a) Fixing SLR
b) Demonetization
c) Fixing CRR
d) All the above
29. SOEs stands for.....
a) Single owned enterprises
b) Society owned enterprises
c) State owned enterprises
d) None of these
30. ICSR stands for.....
a) Indian Council for Scientific Research
b) Indian Council for Social Research
c) Indian Council for Strategic Research
d) None of these
31. UNCTAD stands for.....
a) United Nations Committee on Trade and Development
b) United Nations Conference on Trade and Development
c) Union of National Committee on Trade and Commerce
d) None of the Above
32. refers to the system of moral principles and rules of conduct applied to the business.
a) Values of Business
b) Social responsibility
c) Business ethics
d) Ethical code of conduct
33. Delay in accepting modern culture is termed as.....
a) Cultural delay
b) Cultural gap
c) Cultural diversity
d) Cultural lag
34. Which among the following is a claimant of social responsibility of business

- a) Shareholders
b) Consumers
c) Local community
d) All the above
35. is a tool for evaluating how satisfactory a company has discharged its social responsibilities.
a) Social Audit
b) Internal check
c) Company audit
d) Internal audit
36. CSRC stands for.....
a) Company Social Reforms Committee
b) Corporate Social Responsibility Committee
c) Committee for Social Responsibility Commitments
d) None of these
37. is an organized movement to protect rights and powers of buyers in relation to sellers.
a) Consumerism
b) MRTP Act
c) Consumer protection Act
d) Consumer courts
38. Consumer protection Act ieas enacted in the year.....
a) 1989
b) 1985
c) 1986
d) 1981
39. National Commission for consumer disputes redressal was formed in the year.....
a) 1988
b) 2009
c) 1999
d) 1991
40. IRDA Act is enacted in the year.....
a) 1991
b) 1990
c) 1999
d) 2009
41. Companies Act in India is administered by the.....
a) Ministry of corporate affairs
b) Company law board
c) Ministry of Finance
d) SEBI
42. IDRA stands for.....
a) Industrial Development Registration Act
b) Industries Development and Regulation Act
c) Industries De-recognition and Registration Act
d) None of these
43. Which among the following in is included in Navaratnas?
a) NTPC
b) BHEL
c) ONGC
d) All the above
44.is the practice of fixing price by the Government
a) Administered pricing
b) Minimum pricing
c) Floor pricing
d) None of these
45. Practice of charging different price for a product from different markets is called.....
a) Dumping
b) Price discrimination
c) Differential pricing
d) Strategic pricing
46. refers to the enterprise owned and managed jointly by the Government and Private sector.
a) Joint sector
b) Public private participation
c) Joint venture
d) None of these

47. Which among the following is a demerit of privatization?

- a) Connivance
- b) Monopoly elements
- c) Wrong labour strategies
- d) All the above

48. PSE stands for.....

- a) Private sector enterprises
- b) Private service enterprises
- c) Public sector enterprises
- d) None of these

49. In 1993 Government of India set up a committee on disinvestment under the chairmanship of

- a) Dr. Manmohan singh
- b) Raguram Rajan
- c) C. Rangarajan
- d) Y.V Reddy

50. EPZs stand for.....

- a) Energy processing zones
- b) Export Processing Zones
- c) Export promotion zones
- d) None of these

51. Expand MSME

- a) Medium , Small and Micro Enterprises
- b) Micro, Small and Medium Enterprises
- c) Minimum, Small and Medium Enterprises
- d) None of these

52. Ancillarisation means.....

- a) Development of supporting industries
- b) Setting industries to process by products
- c) Integration of small scale and large industries
- d) Developing industries to provide inputs

53. MRTP Act has been replaced by..... Act in 2002

- a) Consumer Protection Act
- b) Monopoly Control Act
- c) Competition Act
- d) None of these

54. Moral suasion is nature of credit control

- a) Qualitative
- b) Restrictive
- c) Quantitative
- d) None of these

55. In India finance commission is constituted in every.....

- a) Year
- b) Fifth Year
- c) Two years
- d) Ten years

56. The Securities Contract Regulation Act was enacted in the year...

- a) 1949
- b) 1956
- c) 1959
- d) 1991

57. SEBI was constituted in the year.....

- a) 1998
- b) 2008
- c) 1988
- d) 2018

58. SEBI got statutory body status after enacting

- a) Securities and Exchange Board of India Act 1992
- b) Securities and Exchange board of India Act 1988
- c) Securities Contract Regulation Act 1956
- d) None of these

59. ILO was founded in

- a) 1959
- b) 1919
- c) 1969
- d) 1949

60. ILO is headquartered at....

- a) Geneva
- c) New york

b) London

d) New Delhi

61. Which among the following is limitation of Trade Union in India

a) Multiplicity of unions

c) Outside leadership

b) Lack of integrity

d) All the above

62. NDC stands for.....

a) National Defense Council

c) National Development Council

b) National Development Committee

d) None of these

63. Which one is not the main objective of fiscal policy of India?

a) To increase liquidity in the economy

c) To minimize inequalities of income

b) To promote price stability

d) To promote employment opportunity

64. Which of the following denote the structural changes in Indian economy?

a) Service sector contribution has gone up.

c) Secondary sector has not changed much

b) Primary sector contribution has gone down

d) All the above

65. Which one is not an element of legal environment?

a) Act of Parliamentarians in Lok Sabha

c) Indian Contract Act, 1972

b) Indian Partnership Act 1932

d) Negotiable Instruments Act 1981

66. Public Enterprise is defined as.....

a) An organization run by joint efforts of Centre and State Governments.

b) An organization which caters to the needs relating to public utilities.

c) An organization in which capital is invested by public.

d) An organization owned and managed by public

67. The fundamental set of assumptions, values, and ways of doing things, that has been accepted by most of a company's members is called its

a) Culture

c) Environment

b) Atmosphere

d) Values

68. Key actors in a business's immediate environment include

a) Regulations

c) Technology

b) Economy

d) Politics

69. FEMA is a replacement to which Act?

a) MRTP Act

c) FERA

b) Competition Act

d) Companies Act

70. Critical success factors in the public sector usually relate to one of the following:

a) More than one stakeholder

c) The expectation of service users

b) Government imposed standards

d) The expectation of providers of fund

71. The first year plan was launched on.....

a) 1st April 1951

c) 1st April 1955

b) 1st April 1952

d) 1st April 1960

72. What was the duration of 12th plan?

a) 2011-15

c) 2009-14

b) 2012-17

d) 2013-18

73. NITI in NITI Aayog stands for.....

a) National Institute for Transforming India

b) National Institute for Trade in India

- c) National Institute for Transforming Industries d) None of the above
74. Who is the current Chairman of NITI Aayog
a) Narendra Modi c) Nirmala Sitaraman
b) Amithab kand d) None of these
75. NITI Aayog was formed on
a) 1st April 2015 c) 1st march 2015
b) 1st January 2015 d) 1st January 2016
76. Who is the Chairperson of NITI Aayog?
a) President c) Finance Minister
b) A senior IAS Officer d) Prime Minister
77. Who represents a State in NITI Aayog Governing council?
a) State Finance minister c) Chief Minister
b) Governor d) Chief Secretary
78. Who represents a State in NITI's Regional council?
a) State Finance minister c) Governor
b) Chief Minister d) Chief Secretary
79. NITI Aayog is headquartered in
a) Delhi c) Noida
b) Chennai d) Kolkata
80. Planning Commission of India is dissolved on...
a) 1st January 2015 c) 17th August 2014
b) 1st April 2014 d) 15th August 2014
81. Who was the predecessor of WTO?
a) GATT c) GAAT
b) ITO d) UNCTAD
82. GATT was transformed into a WTO with effect from
a) April 2000 c) March 1991
b) January 1995 d) April 1995
83. GATT was formed to fill up the gap of..... charter.
a) ITO c) WTO
b) IMF d) IBRD
84. MFA stands for
a) Multilateral Finance Agreement c) Multifibre Arrangement
b) Multilateral Federation of Agriculture d) None of these
85. Multilateral trade negotiation under GAAT is called.....
a) Rounds c) Conference
b) Council d) Discussion
86. WTO is headquartered in
a) Paris c) Colombo
b) Geneva d) Washington DC
87. NTB stands for.....
a) Non- trade barriers c) Non- tariff barriers

- b) No trade between
d) None of these
88. IMF was established in
a) 1950
b) 1948
c) 1947
d) 1946
89. Expand TRIPs
a) Trade relates aspects of investment property
b) Trade related aspects of intellectual property right
c) Tariff related aspects of international property rights
d) None of the above
90. ASEAN stand for.....
a) Association of South East Asian Nations
b) Association of South East African Nations
c) Association of South East American Nations
d) None of these
91. Expand TRIMs
a) Tariff related investment measures
b) Trade related institutions measuring
c) Trade related investment measures
d) None of the above
92. Which is not a tariff barrier?
a) Compound duty
b) Sliding Scale
c) Specific duty
d) Quota system
93. Which among the following is the advanced form of economic integration?
a) Free trade area
b) Custom union
c) Economic union
d) Common market
94.refers to the investment in a foreign country where the investor retain control over the investment.
a) FDI
b) Portfolio investment
c) FII
d) Investment in GDR
95. Which of the following is not an international organization?
a) SAARC
b) ASEAN
c) ADB
d) CBDT
96. SAARC was established in.....
a) 1995
b) 1972
c) 1985
d) 2002
97. How many members are there in SAARC?
a) 8
b) 10
c) 9
d) 5
98. SAARC is headquartered in
a) Dhaka
b) Colombo
c) Delhi
d) Kathmandu
99. How many Members are there in BRICS
a) 4
b) 2
c) 6
d) 5
100. BRICS was established in.....
a) 2005
b) 2010
c) 2006
d) 2012

answer keys:

1.d	2.a	3.d	4.b	5.a	6.d	7.d	8d.	9.a	10.c	11.b	12.d	13.d	14.d
15.a	16.a	17.c	18.b	19.c	20.d	21.d	22.b	23.c	24.a	25.d	26b.	27.a	28.d
29.c	30.a	31.b	32.c	33.d	34.d	35.a	36.b	37.a	38.c	39.a	40.c	41.a	42.b
43d.	44.a	45.b	46.a	47.d	48.c	49.c	50.b	51.b	52.c	53.c	54.a	55.b	56.b
57.c	58.a	59.b	60.a	61.d	62.c	63.a	64.d	65.a	66.d	67.a	68.a	69.c	70.a
71.a	72.b	73.a	74.a	75.c	76d.	77.c	78.b	79.a	80.c	81.a	82.b	83.a	84.c
85a.	86.b	87. C	88.d	89.b	90.a	91.b	92.d	93.c	94.a	95.d	96.c	97.a	98.d
99.d	100.c												

UNIT-2

INTERNATIONAL BUSINESS

1. The 1st phase of globalization started around 1870 and ended with
- The World War I
 - The World War II
 - The Establishment of GATT
 - In 1913 when GDP was High

Ans: a

2. IBRD (International Bank for Reconstruction and Development) also known as
- Exim Bank
 - World Bank
 - International Monetary fund
 - International Bank

Ans: b

3. Ultimatelywas replaced by theon 1st Jan 1995
- GATS, WTO
 - WTO, GATT
 - GATT, WTO
 - IMF, GATT

Answer: c

4. Which is the right sequence of a stages of Internationalization

- Domestic, Transnational, Global, International, Multinational
- Domestic, International, Multinational, Global, Transnational
- Domestic, Multinational, International, Transnational, Global
- Domestic, Internatinal, Transnational, Multinational, Global

Answer: b

5. Subsidiaries consider regional environment for policy / Strategy formulation is known as

- Polycentric Approach
- Regiocentric Approach
- Ethnocentric Approach
- Geocentric Approach

Answer: b

6. According to this theory the holdings of a country's treasure primarily in the form of gold constituted its wealth.

- Gold Theory
- Ricardo Theory
- Mercantilism
- Heckscher Theory

Answer: c

7. The Theory of Absolute Cost Advantage is given by

- David Ricardo
- Adam Smith
- F W Taylor
- Ohlin and Heckscher

Answer: b

8. The Theory of Relative Factor Endowments is given by

- David Ricardo
- Adam Smith
- F W Taussig
- Ohlin and Hecksher

Answer: d

9. The theory of Comparative cost advantage is given by

- David Ricardo
- Adam Smith
- F W Taussig
- Ohlin and Hecksher

Answer: a

10.is application of knowledge which redene the boundaries of global business

- Cultural Values
- Society
- Technology
- Economy

Answer: c

11. Capitalistic, communistic and Mixed are the types of
 a. Economic System b. Social System c. Cultural Attitudes d. Political System

Answer: a

12. Which is not an Indian Multinational Company?
 a. Unilever b. Asian Paints c. Piramal d. Wipro

Answer: a

13. Globalization refers to:
 a) Lower incomes worldwide b) Less foreign trade and investment
 c) Global warming and their effects d) A more integrated and interdependent world

Answer: d

14. Which of the following is not a force in the Porter Five Forces model?
 a. Buyers b. Suppliers c. Complementary products d. Industry rivalry

Answer: c

15. Comparative Cost Trade Theory is given by
 a. Adam Smith b. David Ricardo c. Gottfried Haberler d. Heckscher Ohlin

Answer: b

16.is the payment method most often used in International Trade which offers the exporter best assurance of being paid for the products sold internationally.

- a. Bill of Lading b. Letter of Credit c. Open Account d. Drafts

Answer: b

17. Key controllable factors in global marketing are:
 a. Government policy and legislation b. social and technical changes
 c. marketing activities and plans d. all of the above.

Answer: c

18. Select example of Indian Multinational Company
 a. Hindustan Unilever b. Videocon c. Cargill d. Tesco

Answer: b

19.corporation produces in home country or in a single country and focuses on marketing these products globally or vice versa.

- a. Global b. International c. Transnational d. None of the above

Ans: a

20. ———-company produces, markets, invests and operates across the world
 a. Global b. International c. Transnational d. Multinational

Ans: c

21.is only a legal agreement and it is not an institution, but is a permanent institution.

- a. GATT, WTO b. WTO, GATT c. WTO, IMF d. IMF, GATT

ans: a

22. The WTO was established to implement the final act of Uruguay Round agreement of

- a. MFA b. GATT c. TRIP's d. UNO

Ans: GATT

23. WTO stands for

- a. World technology association
- b. World time organization
- c. World trade organization
- d. World tourism organization

Ans: c

24. NAFTA stands for

- a. North African trade association
- b. North American free trade agreement
- c. Northern Atlantic trade agreement
- d. Northern association for trade

Ans: b

25. IPR stands for

- a. Intellectual property rights
- b. International property rights
- c. Internal promotion rights
- d. Interior promotional rights

Ans: a

26. The main promoter of trade liberalization was

- a. GATT
- b. NAFTA
- c. CEPTA
- d. CISA

Ans: a. GATT

27. MNC Stands for

- a. Multi National Coopertion
- b. Multi National Corporation
- c. Multi Nation Company
- d. Multi National Collaboration

Ans: b

28. _____ is the 1st step in the internationalization process.

- a. License
- b. Foreign Investment
- c. Sales
- d. Export

Answer: a

29. SMEs stands for:

- a. Small and Medium Entrepreneurs
- b. Small Management of Enterprises
- c. Small and Medium-sized Enterprises.
- d. Societies for Managing Exports

Answer: c

30. The OECD stands for:

- a. Organization for Economic Co-operation and Development
- b. Organization for Economic Coordination and Development
- c. Organization for Environmental Cooperation and Development.
- d. Organization for Environmental Control and Development

Answer: a

Q31. As per Union Budget 2018-19, what is the fiscal deficit target for 2018-19?

- 1. 3.0%
- 2. 3.3%
- 3. 3.6%
- 4. 3.9%

Q32. Which among the following is/are recently appointed as part-time non-official directors of RBI?

- 1. Swaminathan Gurumurthy
- 2. N Chandrashekhar
- 3. Satish Kashinath Marathe
- 4. Only 1 and 2

Q33. What is the tenure of Non-official directors of Reserve Bank of India?

- 1. 2 years
- 2. 3 years
- 3. 4 years
- 4. 5 years

Q34. What is the minimum number of meetings to be held by Central Board of Reserve Bank of India?

- 1. Six
- 2. Eight
- 3. Ten
- 4. Twelve

Q35. Under which section of RBI Act, the Reserve Bank of India transfers the surplus profit to government of India?

1. Section 21A 2. Section 47 3. Section 35 4. Section 22

Q36. When Federation of Indian Chambers of Commerce & Industry was established?

1. 1927 2. 1933 3. 1948 4. 1971

Q37. Which out of the following has maximum weightage among core sectors?

1. Crude Oil 2. Steel 3. Electricity 4. Petroleum refinery products

Q38. What is India's ranking in FDI Confidence Index, 2018?

1. 4th 2. 11th 3. 17th 4. 21st

Q39. FDI Confidence Index is released annually by _____?

1. Grant Thornton 2. JLL 3. T. Kearney 4. IMF

Q40. Who tops the Foreign Direct Investment (FDI) Confidence Index, 2018?

1. United States 2. Canada 3. Germany 4. United Kingdom

Q41. The term _____ relates to patent, trademarks, copyrights and trade secrets.

- a) Priority right b) Intellectual property right c) Tariff & Trade Act d) Madrid agreement

Ans. B

42. _____ is also called the International convention for the protection of industrial property.

- a) Paris Union b) National Treatment
c) Industrial Policy Act d) Intellectual property Right

Ans. A.

43. _____ means that if an investor registers a patent in one member country, he can file an application for registration in other member countries within one year from the date of filing return,

- a) Patent cooperation Treaty b) Paris Union
c) Priority Right d) National Treatment

Ans. C

44. The international registration of Trade Marks aims at the international registration is _____

- a) Trade Mark Registration Treat b) Independent of patents
c) Patent Cooperation Treaty d) The Madrid Agreement

Ans. D

45. International Bureau of World Intellectual Property Organization is _____

- a) U.S.A. b) Geneva c) Switzerland d) Canada

Ans. B

46. E.E.C stands for

- a) European Economics Control b) European Economic Community
c) European Economic centre d) European Economic Committee

Ans. B

47. E.E.C. is also known as _____

- a) Economic Common Market b) NFTA
c) IPA d) European Common Market

Ans. D

48. ECM was brought into being _____

- a) 31 Dec. 1957 b) 15 Jan, 1958 c) 1 Jan, 1958 d) 24 March 1957

Ans. C

49. World's largest trading Block is _____

- a) NAFTA b) SAARC c) CEC d) ECM

Ans. D

50. NAFTA mean _____

- a) North American Free Trade Agreement b) North American Foreign Trade Agreement
c) North Asian Free Trade Agreement d) North Asian Foreign Trade Agreement.

Ans. B

51. _____ was commenced on January 1, 1994

- a) NAFTA b) ECM c) SAARC d) CEC

Ans. A

52. _____ is a bilateral trade agreement between two countries.

- a) Tie in Agreement b) Counter trade
c) MNC d) Gray Market

Ans. B

53. _____ is the process of convincing the various powerful elements of the environment to act in the favour of the organisations.

- a) Coalescing b) Cooptation c) Lobbying d) Procurement

Ans. C

54. Two or more organizations may merger their organizations to have better control over the environment as various resources are pooled together is _____

- a) Cooptation b) Lobbying c) Agreement d) Coalescing

Ans. D

55. _____ was a Multilateral treaty encompassing rules and discples for an orderly world trading system.

- a) GATT b) ITO c) ECM d) SAARC

Ans. A

56. _____ means each nation shall be treated as well, as the most favoured nation.

- a) GATT b) MFN c) FTZ d) TRRM

Ans. B

57. Trade in Textile was restricted by _____

- a) MFN b) GATT c) MFA d) ITO

Ans. C

58. ESCAP stands for _____

- a) Economic and Social Commission for Asia and the Pacific
b) Economic and Social Centre for Asia and the Pacific
c) Economic and Social Commission for the Asia and Privatisation
d) Economic and Social Culture for Asia and Public

Ans: A

59. _____ is a method of doing business by which a franchisee is granted the right to offer, sell or distribute goods or service under a system created by the Franchisee.

- a) Agreement b) Dealership c) Patent d) Franchising

Ans. D

60. _____ means setting a products a company to its affiliated company in host country.

- a) Direct exporting b) Intra corporate transfer
c) indirect exporting d) Exporting

Ans. B

61. BOT means _____

- a) Business Outsourcing Trade b) Balance on Trade
c) Build, operation and Transfer d) Business Outsourcing Transaction

Ans: C

62. FERA was replaced by _____

- a) FEMA b) GATT c) WTO d) ITO

Ans. A

63. WTO was setup in _____

- a) 1995 b) 1992 c) 1996 d) 1994

Ans. D

64. A company doing international marketing contracts with a foreign producer to manufacture or assemble the products for a sale in the foreign market is _____

- a) Management contract b) Contract Manufacturing
c) Turnkey Contract d) Licensing

Ans. B

65. _____ are therefore arrangement where by for a fee, one company provides personnel to perform general specialised management functions for another company.

- a) Lisensing b) Franchising
c) Contract Manufacturing d) Management contract

Ans. D

66. _____ is a contract under which a firm agrees to fully design, construct and equip a manufacturing or business or service facility and turn the project to the purchaser ready for operation for a remuneration.

- a) Manufacturing contract b) Management contract
c) Turnkey contracts d) Joint venture

Ans. C

67. _____ is part of the parent corporation and simply an extension of domestic operation.

- a) Foreign Subsidiary b) Overseas branch
c) Third country location d) Assembly operation

Ans. B

68. _____ is a separate company organized under a foreign nations legal code with accountability distinct from the parent company.

- a) Foreign subsidiary b) Oversees branch
c) Assembly operation d) Fully owned manufacturing

Ans. A

69. _____ is a peculiar form of international trade that encompasses more than an exchange of goods services or idea for money.

- a) Turnkey contract
- b) Licensing
- c) Counter Trade
- d) Buy back

Ans. C

70. _____ conference of 1944 suggested institutional arrangements to undertake post war reconstruction of global economy.

- a) Uruguay Round Agreement
- b) Narasimham Committee
- c) Bretton woods
- d) Hilton Young Commission

Ans. C

71. The GATT agreement had been signed by governments known as _____

- a) Member countries
- b) Trade members
- c) MFN
- d) Contracting Parties

Ans. D

72. GATT agreements as modified by the _____ agreement

- a) WTO
- b) ITO
- c) Uruguay Round
- d) Bretton wood

Ans. C

73. _____ is in fact, policeman of global trade.

- a) GATT
- b) ITO
- c) TRIMS
- d) WTO

Ans. D

74. _____ is the Supreme Authority of the WTO

- a) General Council
- b) Ministerial conference
- c) Council for Trade in Goods
- d) Council for TRIPS

Ans. B

75. Council for Trade in Goods, Services and Intellectual property Rights, Council for Trade Related intellectual property Rights are the three council in General council of _____

- a) WTO
- b) GATT
- c) TRIMS
- d) GATS

Ans. A

76. The Secretariat of the WTO is headed by the _____

- a) General Council
- b) Ministerial conference
- c) Director General
- d) Council for TRIPS

Ans. C

77. _____ is a permanent institution with its own Secretariat.

- a) WTO
- b) GATT
- c) GAT
- d) ITO

Ans. A

78. Member's Gold Subscription + Credit extended by the member through the fund to other members

- a) Gold Tranche
- b) Credit Tranches
- c) Gold standard Mechanism
- d) Floating exchange rate

Ans. A

79. In the form of pound sterling and U.S. dollars, these two currencies were known as _____

- a) Reserve currencies
- b) Foreign exchange

- c) Floating Exchange rate d) Exchange transaction

Ans. A

80. SDR was approved in _____

- a) 1969 b) 1965 c) 1967 d) 1972

Ans. C

81. _____ is the Supreme governing authority of World Bank.

- a) The president b) The Executive Directors
c) The Board of Governors d) Members of the Board

Ans. C

82. _____ becomes the Ex-officio Chairman of World Bank.

- a) The Board of Governors b) The Executive Directors
c) Other members d) The President

Ans. D

83. ADB was setup in _____

- a) 1969 b) 1967 c) 1966 d) 1968

Ans. C

84. The headquarters of ADB is _____

- a) Geneva b) Manila c) U.S.A d) Italy

Ans. B

85. The highest policy making body of the ADB is _____

- a) Board of Governors b) Board of Directors
c) President d) Other members

Ans. A

86. To take decisions of loan application in ADB by

- a) Board of Governors b) Board of Directors
c) The President d) Other members

Ans. B

87. The President elected for a term _____ in ADB

- a) 3 Years b) 4 Years c) 5 Years d) 6 Years

Ans. C

88. First WTO Ministerial conference held in _____

- a) Geneva b) Singapore c) Manila d) Dona

Ans. b

89. In WTO _____ is the highest hierarchical level in the organizational structure.

- a) General council b) Committee and Management Bodies
c) Management Bodies d) Ministerial conference

Ans. D

90. Agreement on Textile and clothing was set out as a transitional process on 01 Jan 1995 for the ultimate removal of quotas by WTO by 01 Jan 2007.

Answer: False

91. The first ever set of multilateral, legally enforceable rules covering international trade in services is the General Agreement on Trade in services (GATS).

Answer: True

92. Trade Related Investment Measures (TRIMS) doesn't apply for

- a) Measures that affect trade in goods.
- b) Measures that lead to restrictions on quantities.**
- c) Discouraging measures that limit a company's imports.
- d) Discouraging measures that limit a company's exports.

93. General Agreement on Trade in Services will not be applicable to

- a) Services supplied from one country to another – cross border supply
- b) Transaction of goods across the border – Export Import**
- c) Individuals traveling from own country to supply services in another – presence of natural persons.
- d) Consumers/firms making use of a service in another country – consumption abroad.
- e) Foreign company setting up subsidiary or branches to provide services in another country – commercial presence.

94. As a part of WTO guidelines, Agreement on Agriculture (AOA) doesn't consider

- a) Direct payments to farmers are permitted.
- b) Indirect assistance and support to farmers including R & D support by govt. are not permitted.**
- c) Domestic policies which directly effect on production and trade have to be cut back.
- d) Least developed countries do not need to make any cuts.

94. WTO is the only international organization dealing with the rules of trade between organizations.

Answer: True

95. The limit of holdings by Individual Foreign Institutional Investors in a Company has been raised from 5 to 10 % of the company's shares, while the aggregate limit has been increased from 24 to 34 %.

Answer: True

96. Quantitative restrictions refer to limit set by countries to curb

- a) Imports
- b) Exports
- c) Imports & exports**
- d) None of the above

97. A Most Favored nation status doesn't necessarily refer to

- a) Same and equal economic treatment
- b) Non-discriminatory treatment
- c) Same tariff rates applicable
- d) Uniform civil code**

98. The world trade organization was formed in the year _____ with GATT as its basis.

- a) 1993
- b) 1994
- c) 1995**
- d) 1996

99. Geocentric staffing policy ensures best qualified people at suitable positions irrespective of their national and cultural differences.

Answer: True

100. Basic objective of women to talk is to establish rapport and relationship while that of men is to maintain status and exhibit skills.

Answer: True

OTHER IMPORTANT MCQS

1. Power distance Index (PDI) of 77 compared to a world average of 56.5 for India indicates
 - a) **High level of inequality of power and wealth within the society**
 - b) Low level of inequality of power and wealth within the society
 - c) High level of Political corruption
 - d) Low level of Human development Index
2. Specific cultural dimensions that does not have a significant impact on cross-national business interactions is
 - a) Hofstede's five cultural dimensions
 - b) Monochromatic vs polychromatic tune
 - c) Communication
 - d) **Geography**
3. Professional culture refers to
 - a) Shared belief of top managers about how they should manage themselves and their employees
 - b) **Shared code of ethics and other commonalities shared by members of a given group**
 - c) Both (a) and (c)
 - d) None of the above
4. Theory of Comparative advantage demonstrates that mutually advantageous trade cannot occur when one trading partner has an absolute advantage.
Answer: False
5. Product life cycle theory states that an exporter country of a particular product can become an importer country during the product cycle of a product.
Answer: True
6. An attribute that doesn't contribute to Porters Diamond model is
 - a) Government
 - b) **Organized Trade union**
 - c) Factor Conditions
 - d) Demand Conditions
 - e) Firm strategy, structure and rivalry
7. _____ theory states that, lack of resources often helps countries to become competitive
 - a) Competitive theory
 - b) Porters Diamond Model
 - c) Theory of Mercantilism
 - d) **Product life cycle theory**
 - e) None of the above
8. Theory of Mercantilism propagates
 - a) Encourage exports and imports
 - b) **Encourage exports and discourage imports**
 - c) Discourage exports and imports
 - d) Discourage exports and encourage imports
9. An international acquisition is a cross-border investment in which a foreign investor acquires an established local firm and makes the acquired local firm a subsidiary business within its global portfolio.
Answer: True
10. Backward vertical FDI occurs when an MNE enters a host country to produce intermediaries that are intended to use as inputs in the host country.
Answer: False
11. Identify a factor that doesn't play an important role in attracting FDI
 - a) Laws, rule sand regulations
 - b) Administrative procedures and efficiency
 - c) Cost of resources
 - d) Infrastructure related factors
 - e) **Language**
12. B2B sector specific policy of Indian Government is

- a) **FDI up to 100% subject to condition that they invest 26 % in favor of Indian Public within 5 yrs**
b) FDI up to 100%
c) FDI up to 100% subject to condition that they invest 26 % in favor of Indian Public within 10 yrs
d) FDI up to 49%

13. The country that attracts the largest FDI inflow is

- a) India **b) China** c) USA d) Brazil

14. The term economies of scale refer to the reductions in cost achieved by producing a large volume of the product.

Answer: True

15. Multi-domestic firms extensive customize both their product offering and marketing strategy to suit domestic home market only.

Answer: False

16. Firm that operates internationally is able to

- a) earn a greater return from their skills and core competencies
b) realize location economies where they can be performed most efficiently
c) realize greater experience curve economies, which reduces the cost of production
d) All the above

17. General electric follows _____ as its international operational strategy

- a) Global b) International
c) Multi-domestic **d) Transnational**

18. Factor of Interdependence in Multi-domestic strategy is

- a) Low** b) Moderate c) High d) Very High

19. Contractual agreements as global market entry involve a transfer of trademarks or human skills.

Answer: True

20. When one company acquires another, the one acquired becomes a subsidiary of the acquiring company.

Answer: True

21. In 90's the global management perception was based on

- a) Standardization v/s adaptation b) Globalization v/s localization
c) Global integration v/s Local Responsiveness d) Local responsiveness

22. Which of the following is an advantage of turnkey projects?

- a) Can earn a return on knowledge asset** b) Will not create a competitor
c) Tight control of operations d) All the above

23. The agreement signed by Ranbaxy Laboratory and Bayer AG of Germany in the year 1999 is an example of

- a) Subsidiary b) Joint venture
c) Strategic International Alliance d) License agreement

24. The sales contract is to be prepared only on stamp paper.

Answer: False

25. The risk of direct exporting is relatively lower since the investments are also lesser.

Answer: False

26. CISF pricing includes the following

- a) Commission is paid to the agent involved in the transaction
- b) Cost of the goods exported
- c) Freight & Insurance charges for the goods exported
- d) **All of the above**

27. When the transaction is of high value, complex in nature and more technical _____ method of the export sales contract is used.

- a) Proforma invoice
- b) Purchase order
- c) **Sales contract**
- d) None of the above

28. Which one of the following is a method for an exporter to get a contract

- a) Proforma invoice
- b) Purchase order
- c) Sales contract
- d) **All the above**

29. ARE 1 is the form for removal of excisable goods from the factory premises for export purposes

Answer: True

30. Transit credit is the credit which can be opened by small countries whose credits may not be readily acceptable in another country.

Answer: True

31. Credits transferable by original beneficiary in favor of secondary beneficiary are known as

- a) **Deferred credits**
- b) Transit credits
- c) Installment credits
- d) Transferable credits

32. When the exporter, expects the importer, to make the payment immediately upon the draft being presented to him is called.

- a) **Sight Draft.**
- b) Usance Draft
- c) Demand draft
- d) Pay Note

33. The basic objective of export Promotion Council is to promote and develop the Exports of the

- a) Particular products of country
- b) Only attractive projects of the country
- c) Only services industry products of the country.
- d) **Overall exports of the country.**

MOST IMPORTANT MCQS

Question 1:- The theory of Comparative cost advantage is given by

- a) Porter
- b) Adam Smith
- c) Varnoon
- d) **D.Richardo**

Question 2:- Trade Related Investment Measures (TRIMS) doesn't apply for

- a) **Measures that lead to restrictions in quantities.**
- b) Discouraging measures that limit a company's imports
- c) Discouraging measures that limit a company's exports.
- d) ALL OF THE ABOVE

Question 3:- As a part of WTO guidelines, Agreement on Agriculture (AOA) doesn't consider

- a) Direct payments to farmers are permitted.
- b) **Indirect assistance and support to farmers including R & D support by govt. are not permitted**
- c) Domestic policies which directly effect on production and trade have to be cut back.
- d) Least developed countries do not need to make any cuts.

Question 4:- A Most Favored nation status doesn't necessarily refers to

- a) Same and Equal Treatment
- b) Non-discriminatory Treatment
- c) Same tariff rates applicable
- d) **Uniform civil code**

Question 5:- Power distance Index (PDI) of 77 compared to a world average of 56.5 for India indicates

- a) **High level of inequality of power and wealth within the society**
- b) Normal Power and Wealth
- c) High level of political corruption
- d) Low level of Human Development Index

Question 6:- Identify a factor that doesn't play an important role in attracting FDI

- a) **Language**
- b) Laws, rules and regulations
- c) Cost of resources
- d) Infrastructure related factors

Question 7:- Factor of Interdependence in Multi-domestic strategy is

- a) **LOW**
- b) MODERATE
- c) HIGH
- d) VERY HIGH

Question 8:- The first phase of globalization started around 1870 and ended with ...

- a) **The World War I**
- b) The World War II
- c) The Establishment of GATT
- d) In 1913 when GDP was high

Question 9:- An attribute that doesn't contribute to Porters Diamond model is

- a) Government
- b) **Organized Trade union**
- c) Factor Conditions
- d) Demand Conditions

Question 10:- Which of these is a characteristic of multinational corporations>

- a) At least one -third directors are foreign nationals
- b) The company does 40% of its business in foreign markets
- c) **The overseas markets are larger than the domestic market**
- d) The affiliates are responsive to a number of important environmental forces

Question 11:- According to this theory the holdings of a country's treasure primarily in the form of gold constituted its wealth.

- a) Gold Theory
- b) Ricardo Theory
- c) **Mercantilism**
- d) H.O. THEORY

Question 12:- The Theory of Absolute Cost Advantage is given by

- a) **Adam smith**
- b) D. Richardo
- c) Raymond Varnoon
- d) Porter

Question 13:- The Theory of Relative Factor Endowments is given by

- a) **Ohilin-Hecksher**
- b) FY Taylor
- c) Richardo
- d) Porter

Question 14:- is application of knowledge which redefine the boundaries of global business

- a) Cultural Values
- b) Society
- c) **Technology**
- d) Economy

Question 15:- Capitalistic, communistic and mixed are the types of

- a) **Economic system**
- b) Political system
- c) Social System
- d) Cultural Attitudes

Question 16:- General Agreement on Trade in Services will not be applicable to

- a) Services supplied from one country to another – cross border supply
- b) **Transaction of goods across the border – Export Import**
- c) Individuals traveling from own country to supply services in another – presence of natural persons.
- d) Consumers/firms making use of a service in another country – consumption abroad

Question 17:- Quantitative restrictions refer to limit set by countries to curb

- a) Imports b) Exports **c) Imports and Exports** d) All of the above

Question 18:- India is an

- a) Emerging economy** b) Developed economy
c) Less developed economy d) None of these

Question 19:- The world trade organization was formed in the year _____ with GATT as its basis.

- a) 1992 b) 1993 **c) 1995** d) 1994

Question 20:- _____ theory states that, lack of resources often helps countries to become competitive

- a) Competitive theory b) Porters Diamond Model
c) Theory of Mercantilism **d) Product life cycle theory**

Question 21:- Theory of Mercantilism propagates

- a) Encourage imports and exports **b) Encourage exports and discourage imports**
c) Discourage imports d) None of these

Question 22:- The country that attract the largest FDI inflow is

- a) USA b) INDIA **c) CHINA** d) BRAZIL

Question 23:- General electric follows _____ as its international operational strategy

- a) GLOBAL **b) TRANSNATIONAL**
c) INTERNATIONAL d) MULTI-DOMESTIC

Question 24:- Typically the last step in the internationalization process is:

- a) Licensing b) Exporting
c) Wholly owned subsidiaries **d) Foreign Direct Investment**

Question 25:- Which of the following is an advantage of turnkey projects?

- a) Can earn a return on knowledge asset** b) Will not create a competitor
c) Tight control of operations d) All the above

Question 26:- Which of these is/are the characteristic of a licensing agreement

- a) The licensor might provide access to some of its patents or trademarks
b) The licensor might provide access to technology
c) It might be used to avoid the risks of foreign involvement
d) All of the above

Question 27:- IBRD (International Bank for Reconstruction and Development) also known as

- a) EXIM Bank **b) World Bank** c) IMF d) International Financial Bank

Question 28:- Ultimately was replaced by the on 1st Jan 1995

- a) GATT/WTO** b) GATS/IMF c) WTO/WORLD BANK d) WORLD BANK/WIPO

Question 29:- Which is the right sequence of a stages of Internationalization

- a) Domestic, Transnational, Global, International, Multinational
b) Domestic, International, Multinational, Global, Transnational
c) Domestic, Multinational, International, Transnational, Global
d) Domestic, International, Transnational, Multinational, Global

Question 30:- Subsidiaries consider regional environment for policy / Strategy formulation is known as

- a) Polycentric Approach **b) Regiocentric Approach**
 c) Ethnocentric Approach d) Geocentric Approach

EXPECTED MCQS

1.. The Bretton wood twins consist s of IMF and -----

- a) World Bank (b) ADB (c) IDBI (d) ICICI

Ans : a

2. IMF commenced its operation in the year

- a) 1948 (b) 1950 (c) 1947 (d) 1952

Ans : c

3. The number of institutions included in the World Bank Group is

- (a) 5 (b) 4 (c) 9 (d) 7

Ans : a

4. Business is becoming more global because –

- a) transportation is quicker,
 b) communication enable control from a far,
 c) transportation and communications costs are more conducive for international operations,
 d) all of these.

Ans : d

5. Accounting is a function of International business –

- a) true, b) false, c) can't say, d) partial

Ans : a

6. ----- was the International reserve created by IMF to solve the problem of international liquidity

- (a) SDR (b) APR (c) SDC (d) None of these

Ans : a

7. How many currencies are linked with SDR?

- a) 9 (b) 7 c) 6 (d) 5

Ans : d

8. IBRD (International Bank for Reconstruction and Development) also known as –

- a) Exim Bank, b) World Bank,
 c) International Monetary Fund, d) International Bank

Ans : b

9. Ultimately _____ was replaced by the _____ on 1st Jan 1995

- a) GATS, WTO; b) WTO, GATT; c) GATT, WTO; d) IMF, GATT

Ans : c

10. The theory of Absolute Cost Advantage is given by –

- a) David Ricardo, b) Adam Smith, c) F. W. Taylor, d) Ohlin & Heckscher

Ans : b

11. The theory of Relative Factor Endowments is given by –

- a) David Ricardo, b) Adam Smith, c) F. W. Taussig, d) Ohlin & Heckscher

Ans : d

12. The theory of Comparative cost advantage is given by –

- a) David Ricardo, b) Adam Smith, c) F. W. Taussig, d) Ohlin & Heckscher

Ans : a

13. Comparative Cost Trade theory is given by –

- a) Adam Smith, b) David Ricardo, c) Gottfried Haberler, d) Heckscher Ohlin.

Ans : b

14. _____ is the payment method most often used in International Trade which offers the exporter best assurance of being paid for the products sold internationally.

- a) Bill of Lading, b) Letter of Credit, c) Open Account, d) Drafts.

Ans : b

15. _____ is only a legal agreement and it is not an institution, but _____ is a permanent institution.

- a) GATT, WTO; b) WTO, GATT; c) WTO, IMF; d) IMF, GATT.

Ans : a

16. The WTO was established to implement the final act of Uruguay Round agreement of –

- a) MFA, b) GATT, c) TRIP's, d) UNO.

Ans : b

17. WTO stands for –

- a) World Technology Association, b) World Time Organization,
c) World Trade Organization, d) World Tourism Organization.

Ans : c

18. NAFTA stands for –

- a) North African Trade Association, b) North American Free Trade Agreement,
c) Northern Atlantic Trade Agreement, d) Northern Association for Trade.

Ans : b

19. World Trade Organization provides –

- a) rule based multilateral trading system, b) equity and social justice to the people,
c) rule based regional trading system, d) all of the above.

Ans : a

20. Sick enterprise is referred to

- a) CII, b) RBI, c) SIDBI, d) BIFR.

Ans : d

21. Foreign exchange reserve includes –

- a) gold stock, b) iron, c) fruit, d) all of the above.

Ans : a

22. The balance of payment is an system.

- a) accounting, b) social, c) environmental, d) tourist.

Ans : a

23. Which section is not of balance of payment?

- a) current account, b) capital account, c) official reserve account, d) loss account.

Ans : d

24. Which is not part of the current account?

- a) merchandise exports, b) merchandise imports,
c) capital accounts, d) all of the above.

Ans : c

25. Official reserves are composed of gold, SDRs, andexchange.

- a) convertible foreign, b) non-convertible foreign,
c) semi-convertible foreign, d) all of these.

Ans : a

26. Which of the following is not the items of capital account?

- a) external assistance, b) disbursements,
c) NRI deposits, d) official transfers.

Ans : d

27. Which conference gives the birth to the 'International Monetary Fund'?

- a) Bretton-woods, b) Congress, c) LIBOR, d) TIDA.

Ans : a

28. Which of the following is the objective of IMF?

- a) encouragement to international monetary co-operation,
b) encouragement to international trade,
c) stability of exchange rate,
d) all of these.

Ans.

28. Which country can take the membership of IMF?

- a) a developed country, b) a developing country,
c) only India, d) any county who follow the rule of IMF.

Ans : d

29. The term multinational corporation is also commonly used in the international arena and often is a synonym for –

- a) the multinational enterprise, b) the multinational corporation,
c) the transnational company, d) none of these.

Ans : a

30. A direct investment is one that gives the investor a controlling interest in a company –

- a) foreign company, b) domestic company,
c) multinational company, d) none of these.

Ans : a

32. 'Open Market Operation' is a part of –

- a) Income policy, b) Fiscal policy, c) Credit policy, d) WTO.

Ans : c

33. Which of the following is not Export Development Centres –

- a) Agra – Leather Shoes,
- b) Meerut – Sport goods,
- c) Khurja – Clay Pots,
- d) Jaipur – Gold.

Ans : d

34. First Export Promotion Zone (EPZ) in private sector was established at –

- a) Kandla,
- b) Vishakhapatnam,
- c) Noida,
- d) Surat.

Ans : d

35. Asian Development Fund was created by –

- a) Asian Development Bank,
- b) World Bank,
- c) IMF,
- d) SAARC.

Ans : a

36. Which of the following is not part of World Bank Group?

- a) IBRD,
- b) IFC,
- c) IDA,
- d) ADB.

Ans : d

37. The balance of payment depends on the which principle of accounting?

- a) double entry accounting,
- b) single entry accounting,
- c) zero entry accounting,
- d) none of the above.

Ans : a

38. The balance of payment is a funds statement (source and uses) that reflects changes in assets, liabilities and net worth during a period.

- a) financial,
- b) marketing,
- c) given,
- d) specified.

Ans : d

39. The three section of BOP are –

- a) Current Account,
- b) Capital Account,
- c) Official Reserve Account,
- d) all of these.

Ans : d

40. Government transfers include –

- a) money,
- b) goods,
- c) services as aids to other countries,
- d) all of these.

Ans : d

41. “Disequilibrium in the balance of payments reveals a maladjustment in country’s economy” - is this statement true?

- a) Yes,
- b) No,
- c) Can’t say,
- d) Sometimes.

Ans : a

42. Which of the following is not types of disequilibrium in the balance of payment?

- a) Cyclical disequilibrium,
- b) Transactional disequilibrium,
- c) Secular disequilibrium,
- d) Structural disequilibrium.

Ans : b

43. Cable rate, known as

- a) Spot rate,
- b) Token rate,
- c) Foreign rate,
- d) Interest rate.

Ans : a

44. The spot rate of exchange is quoted for the immediate delivery of –

- a) foreign exchange,
- b) foreign treasury,
- c) foreign transaction,
- d) none of these.

Ans : a

45. Premium implies that the foreign currency is expensive and has an high price than the –
a) spot rate, b) forward rate, c) 'a' and 'b' both, d) none of these.

Ans : a

46. The market rate of exchange is a short term rate of exchange that prevails in the –
a) market, b) trade, c) goods, d) all of these.

Ans : a

47. A change in exchange rate thus, brings about changes in the –
a) balance of trade, b) exchange rate, c) export industries, d) all of these.

Ans : a

48. When the gold standard was in fashion, the exchange rate was determined by the respective gold equivalents of the currencies involved on the Parity.

a) mind parity, b) gold parity, c) purchasing power parity theory, d) none of these.

Ans : a

49. Which of the following objects is not objects of IMF?

a) long term capital investment, b) short term assistance,
c) restrictions on business boundaries, d) issue of notes.

Ans : d

50. Who may be Governor of IMF?

a) Governor of Central Bank of a particular country, b) President of a particular country,
c) Prime Minister of a particular country, d) None of these.

Ans : a

MOST IMPORTANT MCQS

1. The acronym SWIFT stands for -

- A. Safety Width in Financial Transactions
- B. Society for Worldwide International Financial Telecommunication
- C. Society for Worldwide Interbank Financial Telecommunication
- D. Swift Worldwide Information for Financial Transactions

ANSWER: C

2. Indirect rate in foreign exchange means -

- A. the rate quoted with the units of home currency kept fixed
- B. the rate quoted with units of foreign currency kept fixed
- C. the rate quoted in terms of a third currency
- D. none of the above

ANSWER: A

3. Indirect rate of exchange is quoted in India for -

- A. sale of foreign travellers cheque
- B. sale of rupee travellers cheques
- C. purchase of personal cheques
- D. none of the above

ANSWER: D

4. In direct quotation, the unit kept constant is -

- A. the local currency
- B. the foreign currency
- C. the subsidiary currency
- D. none of the above.

ANSWER: B

5. The maxim 'buy low; sell high' is applicable for -

- A. quotation of pound-sterling
- B. indirect rates
- C. direct rates
- D. US dollars

ANSWER: C

6. In foreign exchange markets, 'American Quotation' refers to

- A. quotation by a US based bank
- B. quotation in New York foreign exchange market
- C. quotation in which the value of foreign currency is expressed per US dollar.
- D. quotation in which the value of US dollar is expressed per unit of foreign currency

ANSWER: D

7. Forward margin is

- A. the profit on forward contract
- B. commission payable to exchange brokers.
- C. difference between the spot rate and forward rate
- D. none of the above

ANSWER: C

8. The transaction where the exchange of currencies takes place on the same date is known as

- A. tom
- B. ready transaction
- C. spot transactions
- D. value tomorrow

ANSWER: B

9. A transaction in which the currencies to be exchanged the next day of the transaction is known as

- A. ready transaction
- B. value today
- C. spot transactions
- D. Value tomorrow

ANSWER: D

10. The transaction in which the exchange of currencies takes place at a specified future date, subsequent to the spot date is known as a

- A. swap transaction
- B. forward transaction
- C. future transaction
- D. non-deliverable forwards

ANSWER: B

11. One month forward contract entered into on 22nd March will fall due on

- A. 21th April
- B. 22nd April
- C. 23rd April
- D. 24th April

ANSWER: D

12. The buying rate is also known as the

- A. bid rate
- B. offer rate
- C. spread
- D. swap

ANSWER: A

13. The selling rate is also known as

- A. bid rate
- B. offer rate
- C. spread
- D. swap

ANSWER: B

14. Check which is not an agency of U.N?

A: International Committee of Red Cross

B: FAO

C: IMF

D: ILO

15. Where the Headquarter of UNHCR is located?

A: Washington

B: Fila del Fila

C: Geneva

D: Hong kong

16. An Indian who become president of International Court of Justice is –

A: Dr. Nagendra Singh

B: Justice R.N Thakur

C: Justice P.L Bhagawati

D: Justice H.R Reddy

OTHER MCQs

1. **UNCTAD stands for**

- a. United nations committee on tariff and development
- b. United nations conference on trade and deficit
- c. United nations conference on trade and development
- d. Union of nations cause for trade and development

Answer: c

2. **Which one is called Bretton-wood Twin's**

- a. IBRD & IDA
- b. IMF & IFL
- c. IMF & IBRD
- d. IDA & IFL

Answer: C

3. **Which one is the source of external finance?**

- a. WTO funds
- b. World bank group
- c. export credit
- d. foreign direct investment

Answer: a

4. **Which among the following are important bodies of WTO**

- i. Dispute settlement body
- ii. NAFTA
- iii. Trade policy review body
- iv. Council for trade in goods
- v. Council for trade related aspects of intellectual property rights
- vi. GATT

An appropriate combination is

- a. I, ii, iii, iv
- b. ii, iii, iv, v
- c. I, iii, v, vii
- d. iv, v, vi, vii

Answer: c

5. **International liquidity comprise which four of the following**

- i. Gold held by central bank
- ii. Gold held by families
- iii. Updated flawless softwares
- iv. Stringent legal frame-work

Codes:

- a. I & ii
- b. I, ii & iii
- c. ii, iii & iv
- d. I, ii, iii & iv

Answer: c

6. **On the basis of the size and composition of external bedt, world bank has classified India as a**

- a. Heavily indebted country
- b. Moderate indebted country
- c. Less indebted country

d. Severely indebted country

Answer: b

7. De-coupling denotes

- a. Indian market may be cut off from global markets so that it may be affected by global volatility.
- b. Separating the birds affected by bird flu.
- c. That markets are independent
- d. None of the above

Answer: a

8. Which of the country's banking have been brought under 'sanctions by USA, recently?

- a. North Korea
- b. China
- c. Iran
- d. Russia

Answer: c

9. The balance of payments account is conventionally divided into

- a. Current account and capital account
- b. Visible account and invisible account
- c. Long-term capital account and short term capital account.
- d. None of the above

Answer: a

10. What is Euro-III?

- a. European currency
- b. Group of European countries
- c. European film festival
- d. BREXIT

Answer: b

11. The comparative cost theory of international trade was developed by

- a. David Ricardo
- b. Haberlar
- c. Adam Smith
- d. Alfred Marshall

Answer: a

12. Which institution is known as the 'soft loan window' of world bank'

- a. IMF
- b. IFC
- c. IDA
- d. None of these

Answer: c

13. 'happiness index or 'happy planet index' has been evolved jointly by the 'new economic foundation' and 'friends of earth', both are located in

- a. UK
- b. USA
- c. Australia
- d. France

Answer: a

14. The amount of gold, reserve currencies and special drawing rights available for the finance of international trade is known as

- a. International liquidity
- b. Special drawing rights
- c. Global depository receipt
- d. American depository receipt

Answer: a

15. In balance of payment accounts, all goods exported and imported are recorded in

- a. Capital account
- b. Visible account
- c. invisible account
- d. Merchandise accounts

Answer: b

16. Foreign exchange and foreign currencies in India are governed by

- a. RBI
- b. FEMA act
- c. Banking regulation act
- d. SEBI

Answer: b

17. The balance of payments of a country on current account is equal to

- a. Balance of trade plus short term
- b. Balance of trade plus net invisible exports
- c. Balance of payment minus capital flows
- d. Balance of invisible trade plus imports

Answer: b

18. Interest payments on loans borrowed abroad are recorded in

- a. Capital account
- b. Current accounts
- c. errors and omission section
- d. official reserve account

Answer: b

19. The main objective of international monetary fund is

- a. Promote international trade
- b. Help economically backward countries
- c. Maintain stable exchange rates
- d. Promote international liquidity

Answer: b

20. Which of the following theories says that 'to export was good and to be encouraged but to import was bad and to be discouraged'

- a. Comparative cost theory
- b. The theory of absolute advantage
- c. Factor endowment theory
- d. Mercantilist theory

Answer: c

21. NAFTA is an example of

- a. Common market
- b. Customers union
- c. economic community
- d. free trade area

Answer: d

22. Statements:

- i. No gain from trade is shared between countries in accordance with their relative strength demand.
- ii. The terms of trade are against the primary producer unless it has a monopoly or the product has on inelastic demand abroad.

Codes:

- a. Both are correct
- b. Both are incorrect
- c. I is correct ii incorrect
- d. I is incorrect ii correct

Answer: d

23. When custom duty is levied according to weight of goods it is known as

- a. Excise duty
- b. Ad-valorem duty
- c. revenue duty
- d. specific duty

Answer: d

24. If a country has deficit in balance of current account balance of capital account will be

- a. Zero
- b. Surplus
- c. deficit
- d. none of the above

Answer: b

25. The gains from two nations depends on

- a. Domestic barter rates
- b. Different in the domestic barter rates of the two countries
- c. Terms of trade
- d. Degree of absolute advantage

Answer: c

26. The double taxation avoidance convention (DTAC) part was signed between

- a. India and china
- b. India Serbia and Montenegro
- c. India and USA
- d. India and Iran

Answer: b

27. International trade theory was the contribution of

- a. Bertie Ohlin
- b. Arthur okum
- c. adam Smith
- d. none of these

Answer: a

28. Which of the following is not matched against its name?

- a. ASEAN: Economic co-operation amongst all ASIAN countires
- b. IMF: to remove unfavourable balance of payment and to provide financial assistance
- c. WTO: Does not allow quantitative restrictions on trade
- d. SAARC: encourage trade between south Asian countries

Answer: a

29. The trade theory of absolute advantage was developed by

- a. Haberler
- b. David Ricardo
- c. Adam smith
- d. ALfered Marshall

Answer: c

30. Physical delivery of foreign exchange has to take place in case of

- a. Forward market
- b. Spot market
- c. future market
- d. options market

Answer: b

31. A letter of credits means

- a. A bank agreeing to accept and pay on due date
- b. A letter containing conditions of credit purchase or sale.
- c. A letter sent by exporter to importer sanctioning credit dial.
- d. A letter sent by importer to exporter sanctioning credit deal.

Answer: a

32. Which of the following is a discontent of the title of sale of goods

- a. Certificate of origin
- b. Letter of credit
- c. bill of lending
- d. bill of credit

Answer: c

33. Which of the following is not the objective of IMF?

- a. To promote international monetary co-operations
- b. To ensure banalnced international trade
- c. To finance productive efforts according to peace time requirements
- d. To ensure exchange rate stability

Answer: c

34. EPCG denotes

- a. Export potential and credit gurantee
- b. Earning promotion and credit gurantee
- c. Export promotion and credit guarantee
- d. Export potential and credit goods

Answer: c

35. Which of the following matches correspondence to the members and observer countries of the SAARC

- a. India, Pakistan, Bangladesh, Bhutan, Nepal, Sri Lanka, Afghanistan, Maldives
- b. Iran, China, Japan, USA, South Korea, European Union
- c. Pakistan, Nepal, India, Bangladesh, Iran
- d. UK, USA, South Korea, South Africa

Code:

- a. C & d
- b. b & d
- c. a & b
- d. b & c

Answer: c

36. Which one is not an international organization?

- a. SAARC
- b. ASEM
- c. ASEAN
- d. CBOT

Answer: d

37. BRICS includes

- a. Bhutan, Romania, Indonesia, Chile and South Korea
- b. Brazil, Russia, Indonesia, Chile and Sudan
- c. Brazil, Russia, India, China and South Africa
- d. Britain, Russia, India, Chile and South Africa

Answer: c

38. Out of the following, one is not related with WTO?

- a. TRIPS
- b. Ministerial conference
- c. TRIMS
- d. TRAI

Answer: d

39. Which one is not the form of FDI

- a. Purchase of existing assets in foreign currency
- b. New investment in property, plant and equipment
- c. Making investment in the mutual funds
- d. Transfer of many type of asset

Answer: a

40. Which one of the following is not the advantage of MNCs to the host country

- a. Increase in social activities
- b. Increase in economic activities
- c. Utilization of natural resources
- d. R & D efforts enhanced

Answer: a

41. India is suffered from deficit balance both in trade and balance and not invisibles, hence took up a number of steps to manage the problem.

Which one is not appropriate for this?

- a. Export control
- b. Current account convertibility
- c. Liberalized export policy
- d. Unified exchange rate

Answer: a

42. The companies globalize their operations through different means

- a. Export directly
- b. Licensing or franchising
- c. Joint venture
- d. All of the above

Answer: d

43. The components of WTO are

- a. Ministerial conference
- b. Disputes settlement body
- c. Director general
- d. All of the above

Answer: d

44. India is not associated with

- a. SAARC b. NAFTA c. BRICS d. G20

Answer: b

45. Which one of the following is true statement

- a. A balance of trade deals with export and import of invisible items only.
b. A balance of payment deals with both visible and invisible items.
c. The current account is not a component of balance of payment
d. All of the above

Answer: b

46. SDR's are popularly known as

- a. Currency notes c. silver coin
b. Paper gold d. gold coin

Answer: b

47. Balance of payment can be made favourable if

- a. Exports are increased
b. Imports are increased
c. Devaluation of money
d. A and C

Answer: d

48. OPEC stand for

- a. Organization of the petroleum exporting countries
b. Organization of the petroleum & electron countries
c. Both a & b
d. None of these

Answer: a

49. Which type of elasticity plays a crucial role indetermining international trade

- a. Electicity of demand
b. Price elasticity of demand
c. Income elasticity of demand
d. Cross elasticity of demand

Answer: b

50. Suppose a Canadian firm imports bananas of \$ 1000 and sells them for \$ 2000 the effect on GDP would be

- a. The GDP will decrease by \$ 3000
b. The GDP will increase by \$ 3000
c. The GDP will increase by \$ 2000
d. The GDP will increase by \$ 1000

Answer: d

51. Which of the following is the best example of agreement between oligopolists

- a. GATT b. OPEC c. WTO d. UNIDO

Answer: d

52. Factor endowment theory of international trade was propounded by

- a. David Ricardo b. Bertil-Ohlin
b. J.S Mill d. C.P Kindleberges

Answer: b

53. What are the characteristics of the loans provided by the international development association (IDA) to member countries?

- a. They are on liberal terms with regard to the rate of interest
- b. They are on liberal terms with regard to the period of repayment
- c. They can be repaid in the currency of the member country
- d. All of the above

Answer: d

54. Which of the following is the criteria for approving an IDA credit?

- a. Poverty test
- b. Performance test
- c. project test
- d. all of the above

Answer: d

55. Match List-I with List-II and select the correct answer using the codes given below the lists:

List-I

List-II

- | | | |
|----|---------------------------------------|-----------|
| a. | International finance corporation | i. 1956 |
| b. | Asian development bank | ii. 1966 |
| c. | International development association | iii. 1960 |

Codes:

- | | A | b | c |
|----|-----|-----|-----|
| a. | iii | I | ii |
| b. | I | iii | ii |
| c. | I | ii | iii |
| d. | Ii | iii | i |

Answer: a

56. Consider the following

- i. Tariff binding
- ii. Tariffication
- iii. Tariff cuts
- iv. Reduction in subsidies and domestic support

Which of the above are aspects of the Uruguay Round Agreement on agriculture?

- a. I, ii, and iii
- b. ii, iii, iv
- c. I, iii and iv
- d. I, ii, iii, iv

Answer: d

57. The Uruguay Round Agreement deal with subsidies which are

- a. Prohibited subsidies
- b. Actionable subsidies
- c. Non-actionable subsidies
- d. All of the above

Answer: d

58. The SEBI act 1992, came into force on

- a. 12th april 1988
- b. 30th January 1992
- c. 1st april 1992
- d. 25th January 1995

Answer: d

59. Which of the following is not an objective of SEBI?

- a. To protect the interests of investors in securities
- b. To protect the interest of investors in fixed deposits with banks
- c. To regulate the securities market.
- d. To develop a code of conduct for brokers etc.

Answer: b

60. Consider the following statements:

1. SEBI is managed by 6 members.
 2. SEBI was initially constituted on 12- 4- 1988.
 3. In India, all statutory powers for regulating Indian capital market are rested with SEBI.
- Which of the above statements are true.

- | | |
|---------------|------------|
| a. 1, 2 and 3 | c. 1 and 2 |
| b. Only 3 | d. only 2 |

Answer: a

61. Which of the following statements is not true?

- a. According to the SEBI, Indian companies are now free to determine their share prices and premium on those shares.
- b. SEBI cannot encourage the self regulatory organisations.
- c. The IDBI is one of the promoters of SEBI.
- d. The head office of SEBI is situated at Mumbai.

Answer: b

62. According to the section 15HA of SEBI act, 1992, if any person indulges in fraudulent and unfair trade practices relating to securities he shall be levable to a penalty of

- a. Minimum Rs 5 crores
- b. Minimum Rs 20 crores
- c. Minimum Rs 25 crore
- d. Minimum Rs 30 crore

Answer: c

63. Section 11C of SEBI act, 1992 is related with

- a. To seize the recors of a stock broker
- b. To protect the interests of an investor.
- c. To promote the capital market of India,
- d. To protect the interests of central government.

Answer: a

64. Charu aggrieved by an order of SEBI, his or her appeal shall be filed within a period.

- | | | | |
|-------------|------------|------------|-------------|
| a. 70 days. | B. 45 days | c. 20 days | d. 07 days. |
|-------------|------------|------------|-------------|

Answer: b

65. According to the section 15Z of the SEBI act 1992, of any person aggrieved by the decision or order of the 'securities appellate tribunal, he may file an appeal to the

- | | |
|---------|---------------------|
| a. RBI | c. supreme court |
| b. SEBI | d. any of the above |

Answer: c

66. Consider the following statements:

1. Section 15F of SEBI act 1992, provides for penalty for default in case of stock brokers.
 2. Any collection of charges by way of brokerage in excess of the brokerage as specified in the regulation, come within the purview of the SEBI Act 1992.
 3. Section 15 G of SEBI act, 1992 provides the provisions regarding with penalty for insider trading
- Which of the above statement is correct

- a. Only 3
- b. Only 1
- c. 1, 2 and 3
- d. Only 2

Answer. c

POINTS TO REMEMBER

IMF (INTERNATIONAL MONETARY FUND)

- IMF was established with IBRD (INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT) also known as WORLD BANK at the conference of 44 Nations Held At Bretton Woods New Hemisphere USA July 1944.
- IMF came into force on 27th December 1945.
- Member countries is 188 last south Sudan has joined it.
- India is a founder member of IMF.
- Headquarter is at Washington DC.

IBRD (INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT) OR WORLD BANK

- IBRD and its associates institutions as a group are known as World Bank.
- In 1945 it was realized to concentrate on reconstructing the war affected economies
- IBRD was established on 5th December 1945 with IMF on the basis of the recommendations of the Bretton Wood Conference. That is the reason why IMF & IBRD are called Bretton wood twins.
- IBRD started functioning in June 1946.
- World Bank and IMF are complementary institutions.
- Aims to reduce poverty in middle Income & credit worthy poorer countries by promoting sustainable development.

The World Bank group today consist of five closely associated institutions propitiating the role of development in the member nations in different areas. These five are:-

- 1) BRD (International Bank for Reconstructions and Development).
- 2) IDA (International Development Association).
- 3) IFC (International Finance Corporations).
- 4) MIGA (Multilateral Investment Guarantee Agency).
- 5) ICSID (International Center for Settlement of Investment Disputes).

ADB (ASIAN DEVELOPMENT BANK)

- It was established in Dec 1966 on the recommendations of ECAFE (European Commission For Asia & Far East).
- Aim of this bank is to accelerate economic & social development in Asia & pacific region.
- >Started its functions on 1st Jan 1967 Headquarter is at Manila Philippines.
- Georgia is the 67th and newest member having joined ADB effective feb2, 2007.
- Asian development Bank constituted Asian development fund in 1974 which provides loans to Asian countries on concessional interests rate.
- OCR- ordinary capital resources.
- ADB aid to India for Infrastructure, solar power development through PPP (Public private partnership).
- ADB is a multilateral development financial institutions.

IFC (INTERNATIONAL FINANCIAL CORPORATIONS)

- It was established in July 1956.
- Main objectives were:- 1) To provide loan to private sector without any government guarantee 2) To co-ordinate capital & management 3) T induce capitalist countries to invest in developing countries.

MIGA (MULTILATERAL INVESTMENT GUARANTEE AGENCY)

- It was established on 1st April 1988
- Its mission is to promote FDI (foreign direct investment) in to developing countries to help support economic growth, reduce poverty and improve people lives.

ICSID (INTERNATIONAL CENTER FOR SETTLEMENT OF INVESTMENT DISPUTES)

- It was established on 18th March 1965

- Came into force on 14th Oct 1966
- The primary purpose is to provide facilities for conciliation & arbitration of international Investment disputes
- ICSID is considered to be the leading international arbitration institution devoted to investor state dispute settlement

SAARC (SOUTH EAST ASIAN ASSOCIATION OF REGIONAL CO-OPERATION)

- India , Maldives, Pakistan, Bangladesh, Sri-lanka, Bhutan, Nepal and Afghanistan constituted an organization known as SAARC
- On the recommendations of Dhaka conference on 7th /8th Dec 1985.
- Headquarter has been established at Kathmandu, Nepal.
- Idea of SAARC mooted in 1979 by Zia-Ur-Rahman the then president of Bangladesh.

ASEAN (ASSOCIATION OF SOUTH EAST ASIAN NATIONS)

- Indonesia, Philippines, Malaysia, Singapore and Thailand constituted this association on 8th August 1967.
- The object of ASEAN is to promote economic co-operation in South East Asia & also to ensure economic stability in the region.
- Headquarter is at Jakarta.
- 10 member countries.
- ASEAN summit motto- one vision, one identity, one community.
- 13th summit of ASEAN 2007 theme One ASEAN at the heart of the dynamic Asia.
- 23rd July 1996 ASEAN gave advisory status to India.
- Sign blueprint for the proposed ASEAN economic community that will take effect in 2015.
- ASEAN recent summit- 25th summit at Nay Pyi Taw Myanmar Nov 2014, 24th summit at Nay Pyi Taw Myanmar May 2014, 23rd summit at Brunei Oct 2013, 22nd summit at Brunei April 2013, 21st summit Phnom Penh Cambodia Nov 2012, 20th summit at Phnom Penh Cambodia April 2012.
- 1st summit at Bali , Indonesia Feb 1976.

NAFTA (NORTH AMERICA FREE TRADE AREA)

- On 12th August 1992 a trilateral agreement between USA, Canada, Mexico took place which declared North American region as Free trade Area.
- It came in to force on 1st Jan 1994.
- It was constituted to meet the challenges of EEC (European Economic Community) and Japanese economic policies.
- Rule of origin was developed, which implied that the economic resources of the countries in the political region should be utilized for economic development of people belonging to that country only.
- NAFTA is a free trade area among the United States of America, Canada & Mexico.
- This is the largest and most important trading bloc of the world.
- In 1989 NAFTA agreement between Canada & USA.
- NAAEC- North America agreements on environment co-operation.
- NAALC- North America agreements on labor co-operation.

SAFTA (SOUTH ASIAN FREE TRADE AGREEMENT)

- 12TH summit of SAARC Islamabad 2004 gave rise to SAFTA
- It came into force 1st Jan 2006 replacing SAPTA (South Asian Preferential Trade Agreement) which was operative among SAARC countries in 7th summit Dhaka 1993 , operative since Dec 1995.
- SAFTA Presupposes abolition of all kinds of trade & tariffs restrictions.

EFTA (EUROPEAN FREE TRADE AGREEMENT)

- It was established at Stockholm on 3rd May 1960.
- It was established with a view to curtail custom duties & other tariffs among member countries.
- Headquarter is at Geneva.

IDA (INTERNATIONAL DEVELOPMENT ASSOCIATION)

- IDA is an associate institution of World Bank known as soft loan window of World Bank.
- It was established on 24th Sep 1960.
- IDA provides loan to the member countries and no interest is charged on these long term loans.
- These soft loans are provided to the poor countries of the world.

IFAD (INTERNATIONAL FUNDS FOR AGRICULTURE DEVELOPMENT)

- Established in 1977.
- India is a member country.

URUGUAY ROUND & DUNKEL PROPOSAL

- The 8th round of GATT Popularly known as Uruguay round.
- Established in 1986.

GATT (GENERAL AGREEMENT ON TRADE & TARIFFS).

- 8th round of GATT known as Uruguay round which gave birth to World Trade Organization.
- On 30th Oct 1947, 23 countries at Geneva signed an agreement related to tariffs imposed on trade. This agreement is known as General Agreement on trade & tariffs.
- Came in to force on 1st Jan 1948.
- Headquarter is at Geneva.
- On 12th Dec 1995, GATT was abolished and replaced by World Trade Organization which came into existence on 1st Jan 1995.
- Objectives- To provide equal opportunities to all countries in international market for trading purpose without any favor.
- GATT also introduced MFN (Most Favored Nations Clause) according to which every members country was considered as MFN country.

UNCTAD- UNITED NATIONS CONFERENCE ON TRADE & DEVELOPMENT

- Established on 1964.
- Headquarter is at Geneva.
- Allec Irwin present chairman.
- UNCTAD has its session after every 4 years.
- To look after all trade and development

BRICS- BRAZIL RUSSIA INDIA CHINA AND SOUTH AFRICA

- With a view to strengthen banking c-operation
- 16th May 2008 established.
- 6th BRICS Summit was held at Fortaleza Brazil 2014, it marked it first full BRICS summit. Inauguration of New Development Bank and KV KAMNATH going to be a chairman of it will be opened at Shanghai.
- 7th BRICS summit will be going to host in July 2015 in Russia

INTERNATIONAL LIQUIDITY

- It is also known as international reserve
- It includes- 1) Bullion 2) International borrowings 3) Commercial credit operations 4) Hard currencies 5) Foreign securities 6) SDRs 7) Gold 8) Foreign exchange surplus 9) Private holdings 10) Borrowed funds

THEORIES OF TRADE

1) **Mercantilism**- one of the oldest trade theories. This theory stated that a country's wealth was determined by the amount of its gold & silver holdings. Mercantilist believed that a country should increase its holdings of gold& silver by promoting exports & discouraging imports.

2) **Absolute Advantage Theory**-

- 1776 by Adam smith
- Wealth of nation's
- Absolute advantage is there where country produces goods with less labour cost.

- It focused on the ability of a country to produce a good more efficiently than another nation
- He stated that trade should flow naturally according to market forces
- If A country could produce a good cheap or faster/ or both than country B, then country A had the advantage and could focus on specializing on producing that good.

3) **Comparative Advantage theory-**

- 1817 by David Ricardo.
- A person or country will specialize in doing what they do relatively better He talked about opportunity cost i.e the next best forgone cost.
- A country has comparative advantage in producing a good if the opportunity cost of producing that goods is lower at home than in the other country
- Ricardo has uses the main differences with Adam smith is in technological difference.

4) **Hechscher Ohlin theorem/ two factor/ factor proportion theory/ factor endowment theory**

- Hechscher Ohlin Samuelsson theory states that if country like India is abundant in labor then India would mainly specialize in labor intensive goods that would form a large share of its export basket. In the same vein India would import capital intensive goods from countries that are capital abundant.

BALANCE OF PAYMENT

- Balance of payment is a double entry system of record of all economic transactions between the residents of a country and the rest of the world carried out in a specific period of time.
- Balance of trade takes into account only the transactions arising out of the export and import of visible items. It does not take into account the exchange of invisible items like services of banking sector, insurance sector, transport sector, tourism industry, interest payments and receipts and dividend payments.
- Balance of trade is a narrow term whereas balance of payment is a wider term includes both visible & invisible items.
- Components of Balance of Payment are as follows- 1) Current account (it includes both visible and invisible items) 2) Capital account (private capital, banking capital, official capital) 3) Unilateral payment account (when there is a single sided transactions) 4) Official settlement account.
- $\text{Export} = \text{import} = 0$ then we said that it is balanced equilibrium
- Balancing items include official reserve, error omission, statistical error
- $\text{Balance of payment} = \text{balance of current account} + \text{balance of capital account}$
- Causes of disequilibrium of balance of payment- when the demand for and supply of foreign currency of a country are equal , it is viewed that the balance of payments of that country is in equilibrium position
- Some countries enjoys a surplus position(supply of foreign currency is more than that of the demand for foreign currency. Both the surplus and deficit positions represent the disequilibrium in balance of payments
- Causes are 1) Economic factors- development disequilibrium , cyclical disequilibrium, secular disequilibrium, structural disequilibrium 2) Political factors like internal disturbances and war 3) Social factors like the additions and drops of different cultures.

METHODS OF CORRECTION OF DISEQUILIBRIUM

If BOP disequilibrium is due to surplus balance, the country enjoys the positions as it would be most desirable but the countries worry when their balance of payment show deficit. In case of disequilibrium due to deficit, the countries take measures to eliminate deficit.

- 1) Automatic Corrections- devaluation of domestic currency in terms of foreign currency then export will be cheaper and import will be costlier.
- 2) Deliberate Measures – these measures are taken by the government to control deficit BOP, it includes monetary measures and trade measures. Monetary measures include reduction in money supply, devaluation of money and exchange control. Trade measures include export promotion measures and import substitutions measures

3) Miscellaneous measures includes loan in foreign currency, attracting foreign investments, attracting NRI deposits, development of tourisms. These measures help in reduction of imports & enhancing export thus contributes for the reduction of deficit BOP.

GDR (GLOBAL DEPOSITORY RECEIPT).

- Global depository receipt is a certificate issued by a depository bank, which purchase shares of foreign companies and deposits it on the account.
- It represents ownership of an underlying numbers of shares.
- Normally 1 GDR= 10 shares but not always
- It is a negotiable instrument which is denominated in some freely convertible currency
- It is a negotiable certificate denominated in US dollars which represents non US company's publicly traded local equity.

FII's (FOREIGN INSTITUTIONAL INVESTORS)

- These are the foreign institutions like pension fund, mutual funds, investment trusts and portfolio managers
- According to the regulations issued by the government of India foreign institutional investors (FII's), non -Resident Indians(NRIs), persons of Indian origin (PIOs) are allowed to invest in the primary & secondary capital markets in India through portfolio Investment scheme.
- The ceiling for overall investment for FII's is 24% of the paid up capital of the Indian company & 10% /24% for NRIs/ PIOs. The limit is 20% of paid up capital in case of public sector banks.
- Government of India issued the regulations on foreign Institutional Investors on 14th Nov 1995.

ADR (AMERICAN DEPOSITORY RECEIPT)

- An American depository receipt is a negotiable security represents securities of a non US company that trade in the US financial market. Securities of a foreign company that are represented by an ADR are called American depository shares.
- First ADR was introduced by JP Morgan in 1927 for the British retailer Selfridges.

EXIM BANK (EXPORT IMPORT BANK OF INDIA)

- It was established under the EXIM act 1981 and on 1st Jan 1982 as a statutory corporation wholly owned by the central government.
- It grants loans in India & outside for the purpose of exports & imports, refines loans of banks and other notified financial situations for purposes of International trade, rediscount exports bill for banks etc.
- It is also a coordinating agency in the field of international finance and it undertakes development of merchant banks activities in relation to export oriented industries.

DUMPING- It means selling of goods at higher price in domestic country & selling at low price in foreign countries

EXIM POLICY (EXPORT IMPORT POLICY).

It is prepared and announced by the central government (Ministry of commerce). India's export import policy is also known as foreign trade policy in general aims at developing export potential, improving export performance, encouraging foreign trade and creating favorable balance of payment position. The commerce Minister V.P Singh has announced the EXIM policy on 12th April 1985. Initially it was introduced only for 3 years. It is also known as trade policy.

PRACTICE SETS

1. Which article of the NAFTA agreement outlines its purpose?
 - a. Article 103
 - b. Article 101
 - c. Article 102
 - d. Article 204

2. Brunei Darussalam joined ASEAN on
 - a. 23 july 1997
 - b. 8 janusry 1984
 - c. 30 april 1999
 - d. None of these
3. SAARC helps to strengthen cooperatin with other
 - a. Developed countries
 - b. Developing countries
 - c. Underdeveloped countries
 - d. None of these
4. SAARC was established on
 - a. 8th December 1985
 - b. 4th December 1985
 - c. 8th December 1993
 - d. None of these
5. Which of the following statements is correct?
 - a. ASEAN was established in Bangkok
 - b. Originally ASEAN has 7 members countries
 - c. Both a and b
 - d. All of the above
6. NAFTA was signed by
 - a. George HW Bush
 - b. Mexican President Salinas
 - c. Canadian PM Brian Malroney
 - d. All of the above
7. Which of the following statements are incorrect?
 - a. ASEAN was established in Bangkok
 - b. ASEAN has originally 6 member countries
 - c. Combodia joined ASEAN on 23 july 1997
 - d. None of the above
8. Which of the following are not correct?
 - a. SAARC helps to promote the welfare of the people of south asia.
 - b. NAFTA helps to promote conditons of fair competition
 - c. ASEAN helps to promote regional peace and stability
 - d. None of the above
9. Which of the following statements are incorrect?
 - a. NAFTA grant the signatories most favoured nation status.
 - b. Cooperation for matual benefit is the principle of ASEAN
 - c. Both a and b
 - d. All of the above
10. Which of the following statements is incorrect?

- a. NAFTA began on 1st January 1994
b. NAFTA was launched 20 years ago
c. NAFTA will remove most barriers to trade and investment among US, Canada and Mexico
d. None of the above
- 11.** Which of the following statements is incorrect?
a. NAFTA began on 1st January 1994.
b. NAFTA covers Canada, US and Mexico
c. NAFTA was launched 25 years ago to reduce trading costs
d. None of the above
- 12.** Which of the following statements are incorrect?
a. Regional economic integration facilitate the realization of the optimum allocation of resources
b. Regional common market provides a largest market to all,
c. Regional integration facilitates desirable change in composition of foreign trade
d. All of the above.
- 13.** Arrange the following organisations in the increasing order of their establishment years
1. SAARC 2. NAFTA 3. ASEAN
Codes
a. 3, 2, 1 b. 3, 1, 2 c. 2, 3, 1 d. 1, 2, 3
- 14.** Which conference gave birth to the IMF?
a. Bretton woods conference
b. Agency of united nations
c. Uruguay round conference
d. None of the above
- 15.** Which of the following are not the objectives of IMF?
a. Removal of disparities in international payment
b. Imposition of trade tariff
c. Imposition of exchange control
d. Both b and c
- 16.** Which country can take the membership of IMF?
a. A developed country
b. A developing country
c. Under developed country
d. Any country who follow the rule of IMF
- 17.** Which of the following is not an international financial institution?
a. ICICI b. IMF c. IDA d. World bank
- 18.** India is the _____ member of IMF
a. Progressive
b. Founder
c. Additional
d. Active

19. Who may be governor of IMF?
a. Governor of central bank of private country
b. President of a particular country
c. Both a and b
d. Neither a nor b
20. Board of executive director of IMF may be appointed for
a. 6 years
b. 2 years
c. 8 years
d. None of these
21. The quotas of all the member countries with IMF are valued in terms of
a. SDR b. Dollar c. both a and b d, none of these
22. Which of the following bodies are of IMF?
a. Board of governors
b. Executive board
c. Managing director
d. All of these
23. The quotas of all the member countries with the IMF are valued in terms of
a. SDR b. GDR c. Dollar d. Swaps
24. In which of the following year, the articles of agreement of IMF were changed for the first time
a. 1967 b. 1968 c. 1969 d. none of these
25. Which of the following statements are incorrect?
a. Currently, IMF has 187 members
b. Each member country of IMF nominates a governor
c. Both a and b
d. None of the above
26. India has the power to appoint a permanent executive director in the _____ on the board of directors.
a. IMF b. IBRD c. ADB d. none of these
27. World bank provides loan to the member country
a. From own funds
b. From borrowings
c. By guarantee
d. All of the these
28. The world bank is formed as _____ body of IMF.
a. Supplementary
b. Complementary

- c. Legal
d. None of these
29. The world bank began its operation in
a. June 1950
b. June 1946
c. July 1944
d. August 1950
30. Associate institutions of world bank are
a. IDA b. IFC c. IMF d. both a and b
31. World bank grant loans from
a. Own funds
b. Borrowed funds
c. By guaranteeing in whole or part loans made by private investors through the investment channels.
d. All of the above
32. Which of the following countries are 'Blend Borrowers'?
a. India b. Indonesia c. both a and b d. none of these
33. The world bank gives financial assistance only to its
a. Member countries
b. Managing director
c. Staff
d. Governor
34. Companies benefit from direct investment by
a. Access to foreign markets
b. Access to foreign resources
c. Both a and b
d. Neither a nor b
35. One governor and one substitute governor of world bank is appointed for
a. 2 years b. 5 years c. 7 years d. none of these
36. The world bank is owned by
a. Member countries
b. United states of America
c. Conditionally
d. All of these
37. The SDRs can be used _____ by the participating countries
a. Freely
b. Unconditionally
c. Conditionally
d. All of these

38. Countries joining world bank after 31st December 1945 come under category of
- Founder member
 - General member
 - Temporary member
 - Permanent member
39. The world bank and the IDA are _____ international financial institutions.
- Private
 - Complementary
 - Different
 - Same
40. Long term financial assistance for development purpose is provided by
- IMF
 - World bank
 - ADB
 - WTO
41. Which institution is known as the soft loan window of world bank
- IMF
 - IFC
 - IDA
 - none of these
42. In 1958 bank established _____ for providing specific economic assistance to India
- India aid club
 - India development forum
 - Both a and b
 - None of the above
43. Countries who are eligible for both IDA assistance due to low per capita income and credit worthy for some IBRD borrowing are called
- Conditional borrower
 - Blend borrower
 - Participating borrowers
 - None of these
44. Every country in IMF nominates a _____ Governor who casts vote in the absence of the Governor
- Additional
 - Casual
 - Alternate
 - None of the above
45. Each Governor of IMF has got the right of
- 250 votes + one additional vote for each SDR 100000 of quotes.
 - 253 votes + one additional vote for each SDR 200000 of quota
 - 244 votes
 - 267 votes
46. Which of the following are or is correct to EXIM bank
- Non-banking financial company
 - Commercial bank
 - Non-financial company

Select the correct answer using the codes given below

- a. Both 1 and 2
- b. Only 1
- c. Only 2
- d. Both 1 and 3

47. IMF has raised the quota and voting share of India, which places at the _____ place among 184 members of the organisation.

- a. 10th
- b. 11th
- c. 12th
- d. 13th

48. Which of the following statements are correct?

- a. IMF make the balance of payments deficits
- b. IMF provide loans to governments or to any of their political subdivisions
- c. Both a and b
- d. All of the above

49. Which of the following statements are correct?

- a. The IMF financial years end 30th April
- b. Currently, IMF has 197 members upto 30th June 2011
- c. Both a and b
- d. None of the above

50. Objective of world bank does not include

- a. Assistance in the reconstruction of member countries
- b. Supplement private investment by its own loans and finances
- c. Short-term assistance to member countries
- d. Encourage long term balanced growth of international trade

51. Member countries repay the share amount to the world bank in following ways.

- a. 2% of allotted share are repaid in gold, US dollar or SDR
- b. 18% of its capital share in its own currency
- c. 80% on demand by the bank
- d. All of the above

52. Before the loan is made or guaranteed the bank ensures that the

- a. Borrower has reasonable prospects for repayment of loans
- b. Loan is meant for reconstruction and development
- c. Loan is meant for productive purpose
- d. All of the above

53. The world bank provides long-term loans for various development projects of _____ duration.

- a. 5 – 20 years
- b. 10 – 30 years
- c. 3 – 15 years
- d. none of these

54. For providing various technical services to member countries bank has established

- a. The economic development institute
- b. Staff college
- c. Both a and b

d. None of the above

55. A country leaving the membership of IMF can continue its membership with world bank, if _____ members of bank give their votes in its favour

- a. 65% b. 75% c. 67% d. 79%

56. Any member can be debarred from membership of world bank if

- a. It gives written notice to the bank
b. It work against the guidelines of bank
c. It quits membership of IMF
d. All of the above

57. Which of the following statements are incorrect?

- a. The initial authorized capital of the world bank was \$ 10000 billion
b. The world bank has 40 founder members
c. On 30th June 2011, 187 countries were members of the world bank
d. All of the above

58. _____ is a negotiating, committing and controlling organisation.

- a. GATT b. IDA c. UNCTAD d. ADB

59. The WTO covers

- a. Intellectual property
b. Services
c. Goods
d. Both a and b

60. Globalization of financial services is being promoted by

- a. World trade organisation
b. International finance corporation
c. International bank for reconstruction and development
d. International monetary fund

61. Which of the following statements are incorrect?

- a. WTO helps to promote environment.
b. WTO applied to trade in merchandise goods.
c. Both a & b
d. None of the above

62. Which of the following statements are incorrect?

- a. The WTO is the embodiment of the Uruguay Round results.
b. WTO was established on 1st January 1995.
c. WTO cannot be described as a 'free trade' institution
d. All of the above

63. Which of the following statements is incorrect?

- a. IFC headquartered in Washington DC
b. India joined MIGA in 1994

- c. Multinational corporations are also known as global companies.
d. None of the above.
- 64.** Which of the following statements is incorrect?
a. Copyrights lie with the owner cum holder for a certain period.
b. Patents are rights related to literary or artistic work.
c. Industrial design rights can be an industrial commodity or a handicraft.
d. All of the above.
- 65.** Reasons for non-expansion of exports of less developed countries are
a. Low tariff
b. Barriers imposed by the developed countries
c. Both a and b
d. None of the above
- 66.** Majority of developed countries have _____ in their BoP.
a. Deficit
b. Equality
c. Surplus
d. None of these
- 67.** Key currencies acceptable internationally are
a. US dollar
b. UK pound sterling
c. Both a and b
d. Neither a nor b
- 68.** Consider the following statements in context of WTO
1. WTO is a permanent body with its over dispute settlement mechanism.
2. Scope of WTO has been broadened by inclusion of services, intellectual property rights and investment measures.
3. WTO promote international trade
4. WTO banned the foreign currency
5. WTO managed the hybrid system of clean floating, currency block etc.
Which of the statements given above are correct?
a. Both 1 and 2
b. Both 2 and 5
c. 1, 2 and 3
d. Both 3 and 4
- 69.** Which of the following is the objective of WTO?
a. To introduce new world trade policy
b. Companies can produce in different countries
c. Contribution to the trade and production
d. None of the above
- 70.** A company that has a world wide approach to markets and production is known as
a. Multinational enterprise

- b. Multinational efficiency
- c. Multinational company
- d. None of these

- 71.** Which of the following is not the function of WTO?
- a. To optimum use of world resource
 - b. To create dispute between IMF and IBRD for formulating the economic policy
 - c. To introduce the rule and provision relating to the procedure of business policy
 - d. None of the above

- 72.** Which of the following are modes of service supply of GATS?
- a. Consumption abroad
 - b. Cross border services
 - c. Both a and b
 - d. None of these

MISCELLANEOUS

Directions (Q. Nos. 73 – 83) the following questions consist of two statements, statement I and statement II, you have to examine these two statements carefully and select the answer by using the codes given below.

Codes:

- a. Both statements are correct
- b. Both statements are incorrect
- c. Statement I is correct but statement II is incorrect
- d. Statement I is incorrect but statement I is correct.

- 73.** Statement I due to NAFTA, Canada's farmers were past out of business by US subsidized form product.
Statement II. NAFTA created the world's smallest free trade area.

- 74.** Statement I international liquidity does not include official holdings of international liquidity assets.
Statements II. Only borrowed reserves are the source of international liquidity.

- 75.** Statement I SDR constitute a temporary part of the reserves of each country.
Statement II Each country is free to decide as to how and when to use its SDRs.

- 76.** Statement I Principles of ASEAN include renunciation of the threat or use of force.
Statement II NAFTA decrease investment opportunities.

- 77.** Statement I There are many different levels of integration.
Statement II Regional integration has been orgained only via inter-governmental decision making.

- 78.** Statement I Through free trade policy, there will be free access to markets.
Statement II Regional economic integration lead an increase in efficiency in production.

- 79.** Statement I WTO treats foreigners and locals equally.
Statement II The WTO dispute settlement system is faster.

- 80.** Statement I Each governor of IMF has got the right of 350 votes
Statement II Each member country of IMF nominates a Governor.

81. Statement I World bank offers long-term loans to developing countries.
Statement II World bank provides loan for reconstruction and development.

82. Statement I The president is the highest policy making body of the bank.
Statement II All the powers of the bank are vested in the Board of directors.

83. Statement I FDI is ill advised because they loss their national identity.
Statement II FDI is cheaper than exporting goods,

Directions (Q Nos 84 – 95) In the questions given below are two statements labelled as Assertion (A) and Reason (R). in the context of the two statements which one of the following is correct?

Codes:

- a. Both (A) and (R) are correct and (R) is the correct explanation of (A).
- b. (R) is correct but (A) is incorrect
- c. (A) is correct but (R) is incorrect.
- d. Both (A) and (R) are incorrect.

84. Assertion (A) SDRs are the rights to draw on the IMF and are called paper gold.
Reason (R) Since, the value of SDRs is fixed in gold, so it is called paper gold

85. Assertion (A) North American Free Trade Area is an example of FTA
Reason (R) NAFTA permits trade of goods without taxes and other trade barriers.

86. Assertion (A) cooperative peace and shared prosperity shall be the fundamental goals of ASEAN.
Reason (R) ASEAN helps to promote regional peace and stability.

87. Assertion (A) Problem of international liquidity is due to surplus in the BoP of developed countries.
Reason (R) Developed countries are creditors of LDCs and do not take interest in getting rid of their surplus.

88. Assertion (A) The fund is regarded as the guardian of good conduct in sphere of BoP.
Reason (R) Fund aims at reducing tariffs and other trade transaction by member countries.

89. Assertion (A) every member country of IMF automatically becomes the member of world bank.
Reason (R) Any country which quits IMF cannot expelled from the world banks membership.

90. Assertion (A) UNCTAD does not facilitate economic developments.
Reason (R) UNCTAD promote international trade with different socio-economic systems.

91. Assertion (A) IFC promotes sustainable public sector investment in developing countries.
Reason (R) IFC helps to reduce poverty and improve people lives.

92. Assertion (A) trade development authority serves as a exchange of trade information between India and overseas.
Reason (R) this authority conducted surveys in several countries for the promotion of export.

93. Assertion (A) IMF is accountable to the governments of its member countries.
Reason (R) It is controlled and managed by board of governors.

94. Assertion (A) ADB suffers from serious shortage of investible resources.
Reason (R) ADB is not in a position to meet the loan requirements of the member countries completely.

95. Assertion (A) IBRD and IDA run to the same lines.
Reason (R) IBRD and IDA share the same staff and headquarters.

96. Match the following.

List-I (organisations)	List II (Features)
a. SAARC	1. It creates procedures for the resolution of trade disputes.
b. ASEAN	2. It is dedicated to economic, technological, social and cultural development.
c. NAFTA	3. Non-interference in the internal affairs of one another.

Codes:

	A	B	C
a.	3	2	1
b.	2	1	3
c.	1	2	3
d.	2	3	1

97. Match the following

List-I (levels of integration)	List - II (features)
a. Customs union	1. It allows for the free mobility of capital and labour across countries.
b. Common market.	2. Its example is NAFTA
c. Free trade area	3. It occurs when a group of countries agree to eliminate a set of common external tariffs on imports.

Codes:

	A	B	C
a.	3	2	1
b.	3	1	2
c.	2	3	1
d.	1	2	3

98. Match the following.

List -I (concepts)	List-II (features)
A. Free trade	1. Its value is fixed in gold
B. International liquidity	2. Removes tariffs and non-tariff barriers.
C. Regional economic integration.	3. Aggregate stock of internationally acceptable assets.
D. Special drawing rights.	4. It permits trading partners mutual gains from trade of goods and services.

Codes:

	A	B	C	D
a.	4	3	2	1
b.	3	1	4	2
c.	2	1	4	3
d.	3	4	1	2

99. Match the following.

List-I (organisations)	List-II (objectives)
a. SAARC	1. To promote cooperative peace and shared prosperity
b. NAFTA	2. To provide protection and enforcement of intellectual property rights
c. ASEAN	3. To promote the welfare of the people of south asia and to improve their quality of life.

Codes:

	A	B	C
a.	3	2	1
b.	2	1	3
c.	2	3	1
d.	1	2	3

100. Match the following

List-I (Concepts)	List-II (Advantages)
a. International monetary fund	1. Risk factor is always extremely high
b. International finance corporation	2. It has failed to achieve of eliminating foreign exchange restrictions.
c. Foreign direct investment	3. It may transfer technology which has become outdated in other country.
d. MNCs for the host country	4. It charges very high interest rates.

Codes:

	A	B	C	D
a.	4	1	2	3
b.	2	4	1	3
c.	3	1	4	2
d.	4	1	3	2

101. Match the following

List-I (IMF facilities)	List-II (Features)
a. Stand by arrangements	1. Overcoming BoP difficulties
b. Extended fund facility	2. To provide short-term BoP assistance for deficit of a temporary and cyclical nature
c. Poverty, reduction and growth facility	3. It is aimed at programmes the spread of crisis
d. Contingent credit lines facility	4. To support programmes to strength substantially and in suitable manner BoP positions.

Codes:

	A	B	C	D
a.	4	3	1	2
b.	3	2	4	1

- c. 2 1 4 3
- d. 3 1 4 2

102. Match the following.

List - I (Organisation of world bank)	List II (features)
a. Board of governors	1. Responsible for the conduct of the day to day business of the bank.
b. Board of execterectr	2. It meets annually to check out the general policy of the bank.
c. Advisory council	3. It meet regularly once a month to carry on the routine working of the bank.
d. President and other members of staff	4. It is appointed by the board of directors.

Codes:

- A B C D
- a. 4 3 2 1
- b. 2 3 4 1
- c. 3 1 4 2
- d. 2 1 4 3

103. Match the following

List-I (Types of intellectual property rights)	List-II (Features)
a. Trademarks	1. It may refer to the creation of a shape color, patter or a combination of all these things.
b. Patents	2. It is a symbol generally used to identify a particular product, which indicates its source.
c. Industrial design rights	3. These are the designs, practices, formulas etc.
d. Trade secrets	4. The invention must new and should be useful or can be applied in industries

Codes:

- A B C D
- a. 4 3 2 1
- b. 2 3 4 1
- c. 3 1 4 2
- d. 2 4 1 3

104. Match the following

List-I (concepts)	Lisy-II (advantages)
a. Foreign direct investment	1. It gives a boost to the industrial activities of home country.

b. Multinational corporations	2. It enables the owners or creators to protect their work.
c. Intellectual property	3. It helps strengthen the political relationships between various nations.

Codes:

	A	B	C
a.	3	1	2
b.	2	3	1
c.	3	2	1
d.	1	2	3

1=A	2=C	3=B	4=A	5=A	6=D	7=A	8=D	9=B	10=D
11=C	12=B	13=B	14=A	15=D	16=D	17=A	18=B	19=A	20=B
21=A	22=	23=A	24=C	25=D	26=A	27=D	28=B	29=B	30=D
31=D	32=C	33=A	34=C	35=B	36=A	37=A	38=B	39=B	40=B
41=C	42=C	43=B	44=C	45=A	46=B	47=C	48=B	49=A	50=C
51=D	52=D	53=A	54=B	55=B	56=D	57=C	58=A	59=D	60=D
61=B	62=C	63=B	64=B	65=D	66=C	67=A	68=B	69=A	70=C
71=B	72=C	73=B	74=B	75=D	76=C	77=C	78=A	79=A	80=D
81=A	82=C	83=C	84=C	85=A	86=A	87=A	88=D	89=A	90=C
91=D	92=A	93=A	94=B	95=A	96=D	97=B	98=A	99=A	100=B
101=C	102=B	103=D	104=A						

PREVIOUS YEAR QUESTIONS

June/December 2020

1. Match list-I with list-II

List-I

- Steffan linder
- Raymond Vernon
- Hecsher ohlin
- Adam smith

List-II

- product life cycle theory
- Country similarity theory
- Absolute advantage theory
- Factor proportion theory

Choose the correct answer from the options given below

- A-IV, B-III, C-II, D—I
- A-II, B-I, C-IV, D-III
- A-I, B-III, C-IV, D-II
- A-III, B-II, C-I, D-IV

ANSWER: 2

2. the headquarter of the ASEAN is located in which of the following country?

- Indonesia
- Vietnam
- Thailand
- Singapore

Answer: 1

3. Statement-I monetary policy causes a deliberate change in government revenue and expenditure with a view to influencing the price level and the quantum off national output.

Statement-II fiscal policy regulates the money supply and the cost and availability of credit

Choose the right option from the given below:

- Both statement I and statement II are correct.
- Both statement I and statement II are incorrect.

3. Statement I is correct but statement II is incorrect.
4. Statement I is incorrect but statement I is correct.

Answer: 2

4. EPRG framework in International business refers to
 1. Ethno, poly, region, geo transformations
 2. Ethnocentric, polycentric, regiocentric and geocentric orientations
 3. Ethics, policies, regulations, guidelines orientations
 4. Every person refers globak framework

Answer: 2

5. Mercosur, a south American trade block is aa:
 1. Free trade area
 2. Common market
 3. Custom union
 4. Economic cooperation

Answer: 2

6. Which of the following are possible negative impacts of FDI on domestic firms in host countries?
 - c. Market monopoly
 - d. Technology dependence
 - c. increased competition
 - d. profit outflow

Choose the correct answer from the options given below:

1. A b
 2. B c
 - c. a b d
 - d. b c d
- Answer: as per official key *

June-2019

1. Which among the following is not a part of world bank group?
 1. International development association
 2. International monetary fund
 3. International finance cooperation
 4. Multilateral investment guarantee agency

Answer: 2

2. Which is the most appropriate mode of entry in international business to an enterprise with little experience of international markets?
 1. Acquisition
 2. Strategic alliance
 3. Joint venture
 4. Exporting

Answer: 4

3. Redressal mechanism for consumer disputes under section 9 of the consumer protection act envisages a
 1. Single tier system
 2. Two tier system
 3. Three tier system
 4. Open system independent of hierarchy

Answer: 3

3. Quantitative import restrictions that limit the quantity of a product being imported is called
 1. Embargo
 2. Quota
 3. Trade restraint
 4. Import tariff

Answer: 2

3. Which of the following is true about India trade policy (export import) 2015-2019?
 - e. Doubling the exports (both merchandise and services)
 - f. Achieve 3-5% share in global exports
 - g. Introduced two new schemes (MEIS and SEIS)
 - h. Introduced simplified Aayat-niryal form

Choose the correct answer from the following

 1. A and b
 2. A and c
 3. A b c
 4. All are correct

Answer: 4

4. After USD which of the following currencies has largest weightage in determining the value of SDR?

1. Japanese Yen
2. Chinese yuan
3. Euro
4. British pound

Answer: 3

5. Which of the following is an instance of non-conventional dumping?

1. sporadic dumping
2. predatory dumping
3. Reverse dumping
4. Persistent dumping

Answer: 3

6. match the following

a. WTO	i. Brussels
b. IMF	ii. Geneva
c. FAO	iii. Washington
d. EU	iv. Rome

Choose the correct option from the given below:

1. a-ii b-iii c-iv d-i
2. a-I b-ii c-iii d-iv
3. a-iii b-ii c-I d-iv
4. a-I b-iii c-ii d-iv

Answer: 1

December-2019

1. According to FEMA, foreign exchange does not include

1. Deposits payable in any foreign currency.
2. Bill of exchange drawn in Indian currency but payable in any foreign currency.
3. Travellers cheque drawn by institutions outside India but payable in Indian currency
4. Drafts drawn by banks outside India and payable in foreign currency.

Answer: 4

2. Given below are two statements. One is labeled as Assertion and the other labeled as Reason

Assertion: Globalization refers to the free cross border movement of goods, services, capital, information and people.

Reason: Countries are consistently evolving innovative marketing barriers that are WTO compatible.

In the light of the above statements, choose the correct answer from the options given below:

1. Both A and R are true and R is the correct explanation of A
2. Both A and R are true but R is not the correct explanation of A
3. A is true but R is false
4. A is false but R is true

Answer: 2

3. In which of the following years, the Bretton woods agreement was signed by the delegates from 44 nations which led to the establishment of the IMF?

1. 1940
2. 1952
3. 1944
4. 1957

Answer: 3

4. Which of the following are the functions of WTO.

- i. To facilitate the implementation, administration and operation of trade agreement
- j. To carry out periodic reviews of the trade policies of its member countries
- k. To assist in the establishment of a multilateral system of payments
- l. To promote international monetary cooperation.

Choose the correct option from the following

1. A and d 2. B and c 3. C and d 4. A and b
Answer: 4

5. What are the drivers of globalization?
a. Population mobility especially of labour
b. Financial flows
c. Exporting
d. Assembly operations
Choose the correct answer from the following

1. A and d 2. B and d 3. A and b 4. C and d
Answer: 3

DECEMBER-2008

1. The companies having business in a large number of countries around the world at present are called
a. Transnational corporations (TNCs)
b. Multinational corporations (MNCs)
c. Global corporations (GCs)
d. Multinational enterprises (MNEs)
2. Which one of the following is not the basic function of WTO?
a. To facilitate the implementation, administration and operation of trade agreements.
b. To settle differences and disputes among its member countries.
c. To facilitate the expansion and balanced growth of international trade
d. To carry out periodic reviews of the trade policies of its member countries.
3. Bretton woods conference resulted into the establishment of which of the following?
a. IMF & IDA
b. IBRD & IFC
c. IDA & ADB
d. IMF & IBRD

JULY- 2018

4. Match the items of list II with the list I relating to WTO impact

List I	List II
A. NAMA	1. Liberalization of international investments.
B. GATTS	2. Includes industrial goods, textile, jewellery, fish and fisheries product manufacturing industries.
C. TRIMs	3. Liberalization of trade in goods and services
D. TRIPs	4. Provides monopoly power to owners of intellectual property

Codes:

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 2 | 1 | 4 | 3 |

- | | | | | |
|----|---|---|---|---|
| b. | 4 | 2 | 3 | 1 |
| c. | 2 | 3 | 1 | 4 |
| d. | 3 | 2 | 4 | 1 |

November 2017

5. Which among the following is not an international economic institution?
- a. IMF b. IBRD c. ADB d. IFRS

July 2016

6. Statement I. WTO is only international organisation which deals with the rules of trade between organisations.

Statement II. The limit of holding by individual foreign institutional investors in a company has been raised from 5 to 10% of company's share while the aggregate limit has been increased from 24 to 34%.

Codes:

- a. Statement I is correct but statement II is incorrect.
 b. Statement II is correct but statement I is incorrect
 c. Both the statements are correct
 d. Both the statements are incorrect

7. Which combination of the following is correct with regard to world trade organisation (WTO)?
1. WTO initiates peace process among the member countries to enhance international trade.
 2. WTO avoids the task of settlement of disputes among the member countries.
 3. WTO administers the trade review mechanism
 4. WTO cooperates in an appropriate manner with the IMF and the world bank

Codes:

- a. 2, 3 and 4
 b. Both 1 and 3
 c. Both 3 and 4
 d. 1, 2 and 3

December 2015

8. The major outcome of the Bretton woods conference was
- a. Establishment of IMF and IFC
 - b. Establishment of IBRD and IFC
 - c. Establishment of IBRD and ADB
 - d. Establishment of IMF and IBRD

June 2015

9. Assertion (A) amended patent act, in compliance with WTO, provides for grant of product patent as well as process patent for a period of 20 years from the date of application.

Reason (R) under the act, patent may be granted to an invention which means a new product or process involving an inventive step and capable of industrial application, a technical advance over existing knowledge.

Codes:

- a. Both A and R are true but R is not the correct explanation of A
- b. A is false but R is true
- c. Both A and R are true and R is the correct explanation of A
- d. A is true but R is false.

10. Which of the following have been recognized under the intellectual property eligible for creation of rights as per WTO mandate?

- 1. Computer software, music disc, performing art.
- 2. Geographical indicator
- 3. Global positioning system
- 4. Journals, books, seeds, designs, brand

Select the correct answer using the codes given below:

- a. 1, 2 and 3
- b. 1, 3 and 4
- c. 1, 2 and 4
- d. 1, 2 and 3

11. NAFTA came into force from January 1994 embracing

- a. USA, Canada, Cuba
- b. USA, Canada and Mexico
- c. Cuba, Mexico, USA and Havana
- d. Trinidad, Mexico, US

December 2014

12. Which of the following are the outcomes of the sixth ministerial conference of WTO which was held at Hong Kong in December 2005?

- 1. Resolve to complete the Doha work programme fully and to conclude negotiations in 2006.
- 2. Amendments to TRIPS agreement reaffirmed to address public health concerns of developing countries.
- 3. To continue export subsidies in agriculture upto 2018
- 4. Duty free, quota free market access for all LDCs products to all developed countries.

Codes:

- a. 1, 2 and 4
- b. 1, 2, 3 and 4
- c. Both 1 and 3
- d. Both 2 and 4

13. The important objectives of WTO are

- 1. To improve the quality of technology in the member countries.
- 2. To improve the standard of living of people in the member countries.
- 3. To ensure full employment and broad increase in effective demand.
- 4. To enlarge production and trade of goods.
- 5. To increase trade of services.

Select the correct answer using the codes given below:

- a. 1, 2, 3 and 4
- b. 2, 3, 4 and 5
- c. 1, 2, 3 and 5
- d. 1, 3, 4 and 5

December 2013

14. Out of the following which are the important objectives of IMF?

- 1. To promote exchange rate stability
- 2. To create standby reserves
- 3. To print international currency notes
- 4. To establish a multinational system of payments.
- 5. To maintain orderly exchange rate stability.
- 6. To create employment.

Codes:

- a. 2, 4, 5 and 6
- b. 3, 5 and 6
- c. 1, 2, 4 and 5
- d. 1, 2, 5 and 6

15. Possible impact of WTO on various aspects of the Indian economy.

- 1. Quantitative restriction will be allowed.
- 2. Secondhand cars will be imported.
- 3. There will be dumping of Chinese goods.
- 4. Increase in population.
- 5. Child labour exploitation.
- 6. Unemployment will increase.

Which of the combination is correct?

- a. 1, 2 and 3
- b. 3, 4 and 5
- c. 2, 3 and 6
- d. 4, 5 and 6

December 2012

16. The components of WTO are

- a. Ministerial conference
- b. Disputes settlement body
- c. Director general
- d. All of these

17. Which one of the following matches correspond to the member and observer countries of the SAARC?

- 1. India, Pakistan, Bangladesh, Nepal, Sri Lanka, Afg. Maldives
- 2. Iran china japan USA south korea European union
- 3. Pakistan, Nepal, India, bangladesh iran
- 4. UK, USA, North Korea, South Africa

Codes:

- a. Both 3 and 4
- b. Both 2 and 4

- c. Both 1 and 2
- d. Both 2 and 3

18. Which one is not an international organisation.

- a. SAARC
- b. ASEM
- c. ASEAN
- d. CBDT

19. Which one is not an objective of IMF?

- a. To promote international monetary cooperation
- b. To ensure balanced international trade
- c. To finance productive efforts according to peace time requirements
- d. To ensure exchange rate stability

20. Out of the following which one is not related with WTO?

- a. TRIPS
- b. Ministerial conference
- c. TRIMS
- d. TRAI

ANSWER KEYS

1=C	2=C	3=D	4=C	5=D	6=C	7=C	8=D	9=D	10=C
11=B	12=A	13=C	14=C	15=D	16=D	17=C	18=D	19=C	20=D

PRACTICE SETS

1. What are the objectives of international trade?

- a. Sales expansion
- b. Diversification
- c. Maximize competitive risk
- d. Both a and b

2. A global company is sometimes called

- a. A joint stock company
- b. A corporation
- c. A globally integrated company
- d. None of the above

3. Which of the following are engaged in external influence?

- a. Political policies
- b. Legal policies
- c. Both a and b
- d. Neither a nor b

4. International trade brings developing countries in contact with

- a. Developed nations
- b. Underdeveloped countries
- c. Low developed countries
- d. All of the above

5. Foreign exchange reserves include
- Gold stock
 - US dollar
 - Both a and b
 - Neither a nor b
6. Foreign trade helps each country to make _____ use of its natural resources.
- Optimal
 - Loss
 - Better
 - None of these
7. Which of the following are major objectives that engage companies in international business?
- To expand sales
 - To acquire resources
 - To diversify sources of sales and supplies
 - All of the above
8. More companies operate internationally because
- New products take time to become known globally.
 - Domestic companies competitors, suppliers and customers have become international
 - Both a and b
 - None of the above
9. Additional risk that have to be taken care of, while trading across nations are
- Exchange risk
 - Country risk
 - Both a and b
 - Neither a nor b
10. Enjoying comparative advantage for a country means having a _____ opportunit cost of domestically producing a commodity than the other country.
- Lesser
 - Greater
 - No
 - None of these
11. Which of the following statements are incorrect
- Entrepot trade means sale of goods to a foreign country
 - Import trade means sale of goods to a foreign country
 - Both a and b
 - None of the above
12. Which combination of the following factors has driven globalosation in the recent past?
- Growth of multinational corporations
 - Internationalization of finance
 - Increased international trade
- Select the correct answer using the codes given below:

Codes:

- a. Both 1 and 2
- b. Both 1 and 3
- c. Both 2 and 3
- d. All of these

13. Which of the following are the types of exporting?

- a. Direct exporting
- b. Indirect exporting
- c. Both a and b
- d. None of the above

14. Which of the following cannot be advantage of licensing?

- a. It has low financial risks
- b. It avoid tariffs
- c. It has possibility of creating future competitor
- d. None of the above.

15. Which of the following statement is incorrect?

- a. Franchising is a part of licensing
- b. Licensing is a mode of entry into international business
- c. Both a and b
- d. None of the above

16. Which of the following are included in modes of entry into an international business?

- a. Exporting
- b. Licensing
- c. Importing
- d. Franchising

17. Theory of comparative advantage is propounded by

- a. Adam smith
- b. David ricardo
- c. Marshall
- d. Robbins

18. The theory of comparative advantage assumes single factor of production that is

- a. Land b. labour c. capital d. all of these

19. What are the assumptions of heckscher-ohlin model

- a. No onstruction to trade
- b. Commodities and factor are perfectly competitive
- c. Both countries operate at same level of efficiency
- d. All of the above

20. Who has shown how international trade leads to equalization of factor prices?

- a. JM Keynes b. Bertil Ohlin c. David Ricardo d. none of these

21. The comparative cost theory of international trade was developed by
a. David Ricardo b. Haberler c. Adam smith d. Alferd Marshal
22. The trade theory of absolute advantage was developed by
a. Haberler b. Dacid ricardo c. Ada, smith d. Alferd marshall
23. The theory of reciprocal demand is developed by _____
a. Yeron b. John stuart mill c. Ohlin d. none of these
24. Factor endowment theory of international trade was propounded by
a. David ricardo b. Bertil ohlin c. JS mill d. CP Kindleberger
25. Heckscher-Ohlin theory explains international trade in terms of
a. Demand differences
b. Differences in factor endowments
c. Differences in labour productivity
d. None of the above
26. Important factors considered in international product life cycle theory are
a. Technological innovation
b. Market structure
c. Both a and b
d. Neither a nor b
27. Theories of international trade can be broadly grouped into
a. Classical theory
b. Modern theory
c. Both a and b
d. Neither a and b
28. Who was shown, how international trade leads to equalization of factor prices?
a. Prof Horst kohaler
b. Prof Bertil Ohlin
c. Prof IM Keynes
d. Prof PU Ouglus
29. The purpose of protectionism is to protect
a. Domestic industries from foreign competition
b. Foreign firms from foreign competitors
c. Domestic exports from high production cost
d. Foreign and domestic firms from labour unions
30. Anti-Dumping duties are used to
a. Offset the margin of dumping
b. Punish domestic consumers for buying high prices imported goods
c. Discourage foreign governments from subsidizing their exporters
d. Reduce the tariff revenue of the domestic government

- 31.** A tariff rate quota
- Is a limit on the number of tariff that a country can place on imports
 - Uses a single tariff alongwith import quotas to restrict import
 - Is designed to avoid the price increases caused by simple tariffs
 - Is a two tier system intended to restrict imports
- 32.** According to which theory one country may be more efficient in producing a particular goods than another country and that another country may be capable of producing some other goods more efficiently than the first one?
- Theory of comparative advantage
 - Theory of absolute advantage
 - Theory of international product life cycle
 - None of the above
- 33.** Which theory explores the possibility of two nation operating at the same level of efficiency, benefiting by trading with each other?
- Theory of comparative advantage
 - Heckscher-Ohlin model
 - Both a and b
 - None of the above
- 34.** Which of the following pairs are correct
- Countries should export more than they import as per the theory of mercantilism
 - Theory of comparative advantage is propounded by Adam smith
 - Both a and b
 - None of the above
- 35.** Who has demonstrated how prosperity of one country brings prosperity to other countries participating in international trade?
- Keynes
 - Adam Smith
 - Ohlin
 - None of these
- 36.** Which of the following statements is correct?
- Mercantilism supported autarky
 - Mercantilism originated in Britain
 - Mercantilism was based on the ideology of globalization
 - All of the above
- 37.** Which of the following pairs are not correct?
- Endowment theory assumes that factor modality within a country is complete
 - Imitation gap theory assumes that new products are initially developed in capital rich countries
 - Both a and b
 - None of the above
- 38.** Difference between the time of introduction of the product in one country and the time, when the producers in other country start producing it
- Imitation gap
 - Demand gap
 - Both a and b
 - Neither a nor b

39. Arrange the following steps of international product life cycle theory in a correct order.

- | | |
|-----------------------|------------------|
| 1. Maturity stage | 3. Decline stage |
| 2. Introduction stage | 4. Growth stage |

Codes

- | | |
|---------------|---------------|
| a. 2, 4, 1, 3 | c. 4, 3, 2, 1 |
| b. 3, 1, 4, 2 | d. 4, 2, 3, 1 |

40. Which of the following is a rationale for governments imposing offensive trade and investment barriers?

- a. The protection of domestic industries
- b. The promotion of national security
- c. The pursuit of public policy objectives
- d. The support of special interest

41. If a tariff and import quota lead to equivalent increases in the domestic price of steel, then

- a. The quota results in efficiency reductions, but the tariff does not
- b. The tariff results in efficiency reductions but the quota does not
- c. They have different impacts on how much is produced and consumed
- d. They have different impacts on how income is distributed

42. During periods of growing domestic demand an import quota

- a. Is less restrictive on a country's imports than a tariff
- b. Is more restrictive on a country's imports than a tariff.
- c. Has the same restrictive effect on a country's imports as a tariff.
- d. Will always generate increased tax revenue for the government.

43. Import quotas tend to results in all of the following except.'

- a. Domestic producers of the imported good being harmed
- b. Domestic consumers of the imported good being harmed
- c. Prices increasing in the importing country
- d. Prices falling in the exporting country

44. Consider the following statements and identify the right ones.

- 1. A double entry system of record of all economic transactions between the residents of a country and rest of the world is called balance of trade
- 2. All transactions related to goods, services or income are classified as capital account.

Codes:

- a. Only 1
- b. Only 2
- c. Both of the above
- d. None of the above

45. The investment in productive assets and participation in management as stakeholders in business enterprise is

- | | | | |
|--------|--------|-----------------------|--------|
| a. FDI | b. FII | c. balance of payment | d. SDR |
|--------|--------|-----------------------|--------|

46. Consider the following statements and identify the right one
1. India adopted LERMS in 1992
 2. In 1993, dual exchange rate system was replaced by unified floating exchange rate.
- Codes:
- a. Only 1
 - b. Only 3
 - c. Both of the above
 - d. None of the above
47. Globalization is beneficial for firms because
- a. It opens up new market opportunities
 - b. It protects them against foreign competition
 - c. It cushions them from the effects of events in other countries
 - d. It increases the risk and uncertainty of operating in a globalising world economy.
48. The following factors are key drivers of globalization.
- a. Government action, exchange rate, competition and socio-demographic factors.
 - b. Market convergence, competition, exchange rates and cost advantages.
 - c. Cost advantages, government action, economic cycles and competition
 - d. Market, cost, competition and government policies.
49. What is the importance of globalization for multinational firms?
- a. Home demand, home factor conditions and domestic rivalry are no longer important to multinational firms.
 - b. A multinational firm can gain a competitive advantage in a foreign country
 - c. The home base is no longer important to multinational firms
 - d. Regions are no longer important in global competition
50. Globalization is term used to describe the process of removal of restriction on which of the following?
- a. Foreign trade
 - b. Investment
 - c. Both a and b
 - d. None of the above
51. Globalization can create problems for business because
- a. It increases vulnerability to political risk and uncertainty when operating abroad.
 - b. It means that they can increase prices.
 - c. It can result in more competition
 - d. All of the above
52. Globalization is a process of integration of world economics to realize the benefits of geography, demography, cost and efficiency. Which three characteristics represent globalization?
1. Increasing space
 2. Shrinking space
 3. Strengthened borders
 4. Shrinking time
 5. Disappearing borders
- Select the correct answer using the codes given below

- a. 2, 3 and 4
- b. 1, 2 and 4
- c. 1, 3 and 4
- d. 2, 4 and 5

53. In an economist's view, which of the following perspective of globalization is most suitable?

- a. The rise of global media and global culture.
- b. The emergence of global institutions and global conflicts
- c. The development of communication technologies
- d. The growth of international trade and increase in international trade flow

54. Which of the following statements are correct?

- a. Globalization implies integration of the economy of the country with rest of the world economy.
- b. Globalization focused on industrialization.
- c. Both a and b
- d. None of the above

55. Which of the following cannot be included in objectives of globalization?

- a. It focused on industrialization.
- b. It emphasized on free flow of capital
- c. It enhance unemployment
- d. None of the above

56. Which of the following can be included in measures initiated towards globalization by government of India?

- a. Exchange rate adjustment and Rupee convertability
- b. Import liberalization
- c. Both a and b
- d. None of the above

Directions (Q. Nos 57 to 60) In the questions, given below two statements are labelled as statement I and statement II. In the context, which of the following is correct?

Codes:

- a. Both statements are correct
- b. Both statements are incorrect
- c. Statement I is correct but statement II is incorrect
- d. Statement I is incorrect but statement II is correct

57. Statement I. Foreign trade is subject to greater risk as compared to home trade.
Statement II. Internal trade is known as foreign trade.

58. Statement I. Imitation gap theory is given by Posner.
Statement II. In the accounting sense, debit and credit will always balance each other.

59. Statement I. International business does not spread business risks.
Statement II. International business helps in removing domestic market constraints.

60. Statement I. International business can import harmful goods.
Statement II. International business renews resources

61. Which of the following statement are correct?
1. Profit advantage is objective of international business.
 2. International business helps in removing domestic marker constraints.
 3. International business shrink business risk.

Codes:

- a. Only 1
- b. Only 2
- c. Both a and 2
- d. All of the above

Directions (Q. Nos 62 to 65) In the questions given below are two statements labelled as Assertion (A) and Reason (R). In the context of the two statements, which one of the following is correct.

Codes:

- a. Both A and R are correct and R is the correct explanation of A
- b. R is correct but A is incorrect
- c. A is correct but R is incorrect
- d. Both A and R are incorrect

62. Assertion (A). International trade enables a country to consume things which it cannot produce.
Reason (R). international trade fosters trade

63. Assertion (A) removal of trade barriers may result the growth of industries
Reason (R) Economy does not depends on global market

64. Assertion (A) Perfect competition only exists in product market in each country.
Reason (R) Barriers are often created to benefit specific interest group.

65. Assertion (A) Trade barriers are restrictions imposed on the movement of goods between countries.
Reason (R). The major purpose of trade barriers is to promote domestic goods than exported goods.

66. Match the following

List-I	List -II
A. Importing	1. Modes of international business
B. Marketing	2. Functions of international business
C. Sales expansion	3. Objectives of international business
D. Economic forces	4. External influence

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 1 | 2 | 3 | 4 |
| b. | 3 | 1 | 4 | 2 |
| c. | 4 | 1 | 3 | 4 |
| d. | 4 | 3 | 2 | 1 |

67. Match the following

List -I

List-II

A. Theory of reciporocal demand	1. Through specialization, countries could increase their effiecincy
B. Theory of absolute advantage	2. It emphasizes the demand side as well
C. Theory of mercantilism	3. It assumes that there is only one factor of production
D. Theory of comparative costs	4. Countries should export more than they import

Codes:

	A	B	C	D
a.	4	3	2	1
b.	2	1	4	3
c.	3	4	1	2
d.	2	3	4	1

68. Match the following

List-I	List-II
A. Theory of reciporocal demand	1. David ricardo
B. Theory of absolute advantage	2. Adam smith
C. Theory of comparative advantage	3. Raymond vemon
D. Product life cycle theory of trade	4. John stuart mill

Codes:

	A	B	C	D
a.	4	3	1	2
b.	3	1	4	2
c.	2	3	4	1
d.	2	4	1	3

69. Match the following

List-I	List-II
A. Theory of mercantilism	1. It is developed Johnstuart mill
B. Theory of absolute advantage	2. What each country will export and what ut will import is determined by comparative differences in labour costs
C. Theory of comparative costs	3. It refers to the ability of a country to produce a good more
D. Theory of reciporocal demand	4. It attributes and measures the wealth of a nation by the size of its accumulated treasures

Codes:

	A	B	C	D
a.	4	3	2	1

- b. 3 1 4 2
- c. 1 4 2 3
- d. 1 2 3 4

70. Match the following.

List-I	List-II
A. Adam smith	1. Availability
B. David ricardo	2. Endowment
C. Ohlin	3. Absolute advantage
D. IB Kravis	4. Comparative advantage

Codes:

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 1 | 2 | 3 | 4 |
| b. | 2 | 4 | 3 | 1 |
| c. | 3 | 4 | 2 | 1 |
| d. | 4 | 3 | 1 | 2 |

ANSWER KEYS

1=D	2=B	3=C	4=C	5=C	6=A	7=D	8=B	9=D	10=A
11=C	12=B	13=C	14=C	15=A	16=C	17=B	18=B	19=D	20=B
21=A	22=C	23=B	24=B	25=B	26=C	27=C	28=B	29=A	30=A
31=D	32=B	33=B	34=A	35=A	36=B	37=B	38=A	39=A	40=A
41=D	42=B	43=A	44=D	45=A	46=A	47=B	48=A	49=D	50=C
51=A	52=D	53=D	54=C	55=C	56=C	57=C	58=A	59=D	60=C
61=D	62=A	63=C	64=B	65=A	66=A	67=B	68=D	69=A	70=B

PRECIOUS YEAR QUESTIONS

DECEMBER- 2018

- Which one of the following is the main government agency responsible for development and monitoring international trade in India?
 - Indian institute of foreign trade.
 - Federation of Indian export orgainsation
 - Department of commerce
 - Export promotion council
- The theory suggesting that the patterns of international trade are determined by factor endowment rather than productivity was propounded by which one of the following?
 - Adam smith
 - David ricardo
 - Heckcher and bertil Ohlin
 - Michael porter

3. In which one of the following modes of entry into foreign market are risk and profit potential the highest?
- a. Indirect exporting
 - b. Direct exporting
 - c. direct investment
 - d. joint venture

November 2017

4. Which one among the following has the largest share of exports from India?
- a. Agriculture and allied commodity.
 - b. Gems and jewellery.
 - c. Handicrafts
 - d. Electronic goods

July 2016

5. Assertion (A) Comparative cost theory is static in character.
Reason (R) comparative cost theory is based on fixed supplies of factors of production

Codes:

- a. A is correct but R is incorrect.
- b. R is correct but A is incorrect
- c. Both A and R are correct, but R is not the correct explanation of A.
- d. Both A and R are correct and R is the correct explanation of A

December 2015

6. Assertion (A) in 1991, government decided to allow all foreign investments to any industry without any restrictions.
Reason (R) government has enhanced the investment limit of small scale industrial units.

Codes:

- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are true but R is not the correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

7. Globalization is the term used to describe process of removal of restriction on which of the following?

- a. Foreign trade
- b. Investment
- c. both a and b
- d. none of these

8. In respect of international business, a project is called a turnkey project because

- a. The licensee agree to construct an entire plant in his home country and hands over the key
- b. The licensor starts the operation and hands over the key of the operating plant to the licensee
- c. The licensor starts the operation and then invites the licensee and hands over the key to complete the remaining work
- d. The licensor and the licensee jointly carry out the project and agree to share profit equally

9. The highest percentage of export from India went to which of the following regions in 2013-13?

- a. OECD countries
- b. USA
- c. SAARC
- d. Latin America

December 2014

10. Which of the following is not ensured to the consumer in the globalization?
- a. Lower prices
 - b. Better selection
 - c. Clear origin of goods and services
 - d. Improved services

June 2014

11. From the following modes of international business, identify the mode which strategic alliance?
- a. Franchising
 - b. Leasing
 - c. Turnkey project
 - d. Joint venture
12. In the context of globalization, Levitt Thesis means
- a. Standardization strategy to respond to the worldwide homogenized market and expand the market through aggressive low pricing.
 - b. Customize products to regional markets
 - c. Customize products to meet the national markets
 - d. None of the above

December 2013

13. Match the following

List - I	List -II
A. Comparative cost theory of international trade	1. Gottfried Haberfer
B. International theory of opportunity cost	2. JS Mill
C. Factor endowment theory of international trade.	3. David Ricardo
D. Doctrine of reciprocal demand	4. Hecksher Ohlin

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 3 | 2 | 4 | 1 |
| b. | 1 | 3 | 2 | 4 |
| c. | 3 | 1 | 4 | 2 |
| d. | 2 | 1 | 4 | 3 |

june 2013

14. The forces that lend momentum to the process of globalization have been identified by Michael Porter include the following

1. Fluid global capital market
2. Technological restructuring
3. Decreasing religious command
4. Ethnic decontrol
5. New global competitors
6. End of the cold war in 1990

Codes

- a. 6, 5 4 and 3
- b. 6, 3, 2 and 1
- c. 6 4 2 and 1
- d. 4 3 2 and 1

December 2015

15. Assertion (A). Operating style of the international business can spread to the entire globe.

Reason (R) The style is limited to the internal economy only.

Codes

- a. Both A and R are true and R is the correct explanation of A.
- b. Both A and R are true and R is not the correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

16. The comparative cost advantage theory was given by

- a. David Ricardo
- b. Adam Smith
- c. Raymond Vernon
- d. Michael E Porter

17. The companies globalise their operations through different means

- a. Exporting directly
- b. Licensing/ franchising
- c. Joint ventures
- d. All of these

18. In international trade, which of the following is a non-tariff trade barrier?

- a. Quotas
- b. Import bans
- c. Export controls
- d. Anti dumping laws

19. Franchising is a practice of

- a. Leasing for a prescribed period of time, the right to use firm's successful business model and brand
- b. Selling out a successful business model and
- c. Hiring a firm's successful business model and brand
- d. None of the above.

1=C	2=C	3=C	4=B	5=D	6=D	7=C	8=D	9=A	10=C
11=D	12=A	13=C	14=C	15=B	16=A	17=D	18=B	19=A	

PRACTICE SETS

- Foreign direct investment involves
 - Intangible goods
 - Tangible goods
 - human resource
 - intellectual property
- Foreign policy decision makers for spreading their information rely on
 - Public
 - Media
 - politician
 - bureaucrats
- International trade brings developing countries in contract with
 - Developed nations
 - Modern ideas
 - developing countries
 - sustainable growth
- The spot rate of exchange is quoted for the immediate delivery of
 - Foreign treasury
 - Foreign exchange
 - Foreign rate
 - Foreign transactions
- Which of the following statement is incorrect?
 - In foreign direct investment, foreign companies develop new companies in home country
 - Foreign companies open their subsidiaries in the country in FDI
 - FDI does not create capital in the domestic country
 - FDI has favourable impact on production and employment in the state
- Which of the following pairs is not correct?
 - Items in the negative list of imports and exports are prohibited goods
 - Permit issued by custom authorities to export goods is dock warrant
 - Items which require license for export and import are restricted goods
 - None of the above
- Arrange the following steps of export procedure in chronological order.
 - Order acceptance
 - Order placement
 - Goods removal from works
 - Goods readiness and documentation goods
 Codes:
 - 4, 3, 2, 1
 - 2, 1, 4, 3
 - 3, 1, 4, 2
 - 3, 4, 1, 2
- Which statement is true in relation to the way of the arrival of foreign direct investment in India?
 - Automatic route is called Delhi route

- b. FIPB works under the ministry of industry
- c. In relationship to FDI coming through automatic route, no prior approval is required from the government or the Reserve Bank
- d. FIPB is authorized to approve the investment of upto 1200 crore.

9. Currently, in which areas is FDI in India prohibited?

- 1. Atomic energy.
- 2. Lottery business
- 3. Gambling and betting
- 4. Chit fund trade
- 5. Nidhi company
- 6. Home and real estate business
- 7. Construction of cigars and business.
- 8. Metro rail

Codes:

- a. 1, 2, 3, 6, 7 and 8
- b. 1, 2, 3, 4, 7 and 8
- c. 1, 2, 3, 4, 5 and 8
- d. All of the above

10. In order to overcome the ambiguity of foreign direct investment and foreign institutional investment in India, four member committee has been appointed under the chairmanship of

- a. Manmohan singh
- b. P Chidambaram
- c. Raghuram Rajan
- d. Arvind Mayaram

11. Which of the following can not be included in methods of FDI?

- a. Tax holidays
- b. Investment financial subsidies
- c. Horizontal FDI
- d. None of the above

12. Investors of FDI are

- a. Active
- b. Non-active
- c. Both a and b
- d. None of these

13. which of the following statement is not correct?

- a. Many parent enterprise provide FDI because of the tax incentive that they got
- b. Acquiring shares are disintegrated from FDI
- c. Both a and b
- d. None of the above

14. Which of the following can be cost of home countries?

- a. Risk from political change
- b. Access to market
- c. Reduce cost of production

d. None of the above

15. Mercantism was known as _____ in France.

- a. Colbertism
- b. Physiocratism
- c. cameralism
- d. none of the above

16. Which of the following is not balance of payment?

- a. Capital account
- b. Loss account
- c. current account
- d. none of these

17. A debit balance of payment occurs due to

- 1. Low imports and high exports
- 2. High imports and low exports

Select the correct answer using the codes given below

Codes:

- a. Both a and 2
- b. Neither 1 nor 2
- c. Only 1
- d. Only 2

18. The balance of payment of a country on current account is equal to

- a. Balance of trade + short term capital flows
- b. Balance of trade + net invisible exports
- c. Balance of payment – capital flows
- d. Balance of invisible trade + imports

19. The current account is made up of visible and _____

- a. Invisible
- b. Constraint
- c. expert
- d. none of these

20. The effects of foreign trade on the domestic economy may be at

- a. Micro level
- b. Macro level
- c. both a and b
- d. neither a nor b

21. Rapid economic development or economic growth requires most efficient use of the

- a. Country's resources
- b. Foreign investment
- c. Both a and b
- d. None of the above

22. In balance of payment accounts, all goods exported and imported are recorded in

- a. Capital account
- b. Visible account
- c. invisible account
- d. none of these

23. The balance of payment is ans _____ system.

- a. Social
- c. both a and b

- b. Accounting d. none of these
- 24.** Which of the following are not components of BoP account?
a. Current account c. official reserves
b. Capital account d. profit and loss account
- 25.** Which of the following is part of current account?
a. Merchandise exports
b. Merchandise imports
c. Both a and b
d. Neither a nor b
- 26.** Official reserves are comprised of gold, SDRs and _____ foreign exchange
a. Non-convertible c. semi-convertible
b. Convertible d. all of these
- 27.** The capital account consists of
a. Loans c. other transfer financial assets
b. Investments d. all of the above
- 28.** Which of the following is not the item of capital account?
a. NRI deposits
b. Official transfers
c. Disbursement
d. External assistance
- 29.** Which of the following is not a type of disequilibrium in the balance of payment?
a. Structural disequilibrium
b. Secular disequilibrium
c. Transactional disequilibrium
d. Cyclical disequilibrium
- 30.** The current account is made up of
a. Visible c. both a and b
b. Invisible d. all of the above
- 31.** The BoP is composed of two accounts. They are
a. Capital account c. company account
b. Current account d. both a and b
- 32.** Physical delivery of foreign exchange has to take place in case of
a. Spot market c. future market
b. Forward market d. all of these
- 33.** If a country has deficit in balance of current account, balance of capital account will be
a. Zero c. deficit
b. Surplus d. none of these

34. The BoP is a fund statement that reflects changes in assets, liabilities and net worth during a ____-period
- Given
 - Specified
 - financial
 - none of these
35. The ____ include the value of merchandise exports and the value of merchandise imports
- Goods account
 - Service account
 - liquidity account
 - none of these
36. The difference between the value of goods and services exported and imported by a country is the measure of
- Balance of payment
 - Balance of trade
 - service account
 - none of the above
37. Which items are included in the negative list of imports?
- Canalized items
 - Banned items
 - restricted items
 - all of the above
38. The balance of payments account is conventionally divided into
- Current account and capital account
 - Visible account and invisible account
 - Long-term capital account and short term capital account
 - None of the above
39. The devaluation of currency of a country is done when
1. It has adverse balance of payment
 2. It has favourable balance of payment
- Select the correct answer using the codes given below:
- Codes
- Both 1 and 2
 - Neither 1 nor 2
 - only 1
 - only 2
40. Which of the following are items of invisible transaction?
- International transportation of goods including warehouse
 - Travel for reasons of business, education, health etc
 - Insurance premium and payment of claims
 - All of the above
41. Which of the following is principles of valuation for BoP account?
- The retransaction should be valued at market price
 - Both imports and exports should be valued at BoP basis
 - Both a and b
 - None of the above
42. Which of the following statements are incorrect?
- Listing receipts and payments in international transaction for a country is called balance of trade
 - In the balance of payment, gifts from foreigners is unrequited receipts

- c. Both a and b
- d. None of the above

43. which of the following is not correct?

- a. The absorption approach to BoP explains changes in national income and their impact on BoP
- b. Monetary approach to BoP emphasizes the role played by money supply in country's BoP
- c. Traditional approach to BoP explains the volumes of exports and imports of a country is determined by relative prices
- d. None of the above

44. Which of the following statements is incorrect?

- a. In the balance of payment, indemnities paid by foreigners is unrequited receipts
- b. In the balance of payment, gifts from foreigners are capital in flow
- c. Both a and b
- d. None of the above

45. The following table shows cost per unit of production of two goods, wheat and cloth in 2 countries X and Y with no transportation cost and free trade

	X	Y
WHEAT	50	350
CLOTH	100	500

Which one of the following will take place?

- a. No trade will take place
- b. X will export wheat and import cloth
- c. X will export cloth and import wheat
- d. There is not enough information to comment

MISCELLANEOUS

Directions (Q. No. 46-49). The following two questions consist of two statements, statement I and statement II. You have to examine these two statements carefully, select the correct code.

Codes:

- a. Both statements are correct
- b. Both statements are incorrect
- c. Statement I is correct but statement II is incorrect
- d. Statement I is incorrect but statement II is correct

46. Statement I A bill of lading is a document of title to the goods.

Statement II A bill of lading contains all the terms and conditions agreed upon between the ship owner and the charterer.

47. Statement I. easy international trade helps in smooth working of international trade.
Statement II. Many parent enterprises provide FDI because of the tax incentives that get

48. Statement I. In 1992, India opened up its economy and allowed foreign portfolio investment in its domestic stock market.

Statement II. It is a part of international trade.

49. Statement I. The balance of payment is comprehensive record of economic transactions of the residents of a country.

Statement II. Balance of payment is different from balance of trade.

Directions (Q. No. 50-53) In the questions given below are two statements labelled as Assertion (A) and Reason (R). In the context of the two statements, which one of the following is correct?

Codes.

- Both A and R are true, R is the correct explanation of A.
- Both A and R are true, but R is not the correct explanation of A.
- A is correct but R is incorrect.
- A is incorrect but R is correct.

50. Assertion (A). In BoP, every transaction has two aspects.

Reason (R). since, for every credit there is corresponding debit and for every debit there is corresponding debit is explanatory.

51. Assertion (A). FDI simply refers to the act of investment capital in a business enterprise that operates overseas and in a foreign country.

Reason (R). It control in term of actual power of management and effective decision making in the major areas of working.

52. Assertion (A). current account or income account of BoP includes the flow of all goods and services.

Reason (R). Capital account may be divided into official and private account on the basis that private capital flows normally takes place in order to make profit or avoid loss.

53. Assertion (A). capital account covers debit and claims payable in money or those.

Reason (R). Capital account may be divided into official and private account on the basis that private capital flows normally takes place in order to make profit or avoid loss.

54. Match the following.

List-I	List-II
A. Foreign trade	1. It is an undertaking by its issue that the bills of exchange drawn by the foreign dealer on the importer will be honoured on presentation upon a specified amount.
B. Bill of lading	2. It is a document of title to the goods.
C. Quotation	3. Trade between two or more nations
D. Letter of credit	4. It is a reply by the seller to the prospective buyer.

Codes:

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 4 | 1 | 2 | 3 |
| b. | 3 | 2 | 4 | 1 |
| c. | 2 | 3 | 4 | 1 |
| d. | 4 | 3 | 2 | 1 |

55. Match the following

List-I	List-II
a. Merchandise exports	1. Purchase of foreign goods.
b. Merchandise imports	2. Sales of goods abroad
c. Investment income	3. Largely caused by excess of imports over exports in merchandise
d. Balance of payment deficit	4. Dividends, interest etc received from abroad

Codes:

	A	B	C	D
a.	1	2	3	4
b.	2	3	4	1
c.	2	1	4	3
d.	3	4	2	1

56. Match the following

List-I	List-II
a. Absolute advantage	1. State in which exports equal imports
b. Balance of trade	2. Ability of a country to produce a good more efficiently
c. Static equilibrium	3. It is a long term phenomenon
d. Secular disequilibrium	4. Difference between merchandise exports and imports

Codes:

	A	B	C	D
a.	3	2	4	1
b.	3	4	1	2
c.	2	4	1	3
d.	4	3	2	1

57. Match the following

List-I	List-II
a. FOB basis	1. Means of international payment
b. Official reserves	2. Price paid for insurance and shipment of goods should not be included as part of value of goods either by exporter or importer
c. Balance of payment manual	3. Principles or concepts to be followed by countries while compiling BoP data to ensure consistency
d. Bill of lading	4. Document of title of sale of goods.

Codes:

	A	B	C	D
a.	2	1	3	4
b.	1	2	3	4
c.	3	2	1	4
d.	4	3	2	1

ANSWER KEYS

1=B	2=B	3=A	4=B	5=C	6=B	7=B	8=C	9=D	10=D
11=C	12=A	13=B	14=A	15=A	16=B	17=C	18=A	19=A	20=C
21=A	22=B	23=B	24=D	25=C	26=B	27=A	28=B	29=C	30=C
31=D	32=A	33=B	34=B	35=A	36=B	37=D	38=B	39=A	40=D
41=C	42=A	43=D	44=B	45=B	46=C	47=A	48=A	49=D	50=A
51=B	52=A	53=B	54=B	55=C	56=C	57=A			

PREVIOUS YEAR QUESTIONS

1. Foreign investment can be made through which of the following routes?

1. Foreign direct investment
2. Foreign portfolio investment
3. Private equity investment
4. Foreign venture capital investors

Choose the correct answer from the codes given below

- a. 1, 3 and 4
- b. Both 1 and 4
- c. 1, 2 and 4
- d. All of the above

2. Match the items of list I with the items of list II and choose the correct answer from the code given below:

List-I	List-II
a. Balance of trade	1. Imports and exports of goods and services and unilateral transfer of goods and services.
b. Current account	2. Transactions leading to changes in the financial assets and liabilities of a country.
c. Balance of payment	3. All economic transactions between a country's residents and residents of other countries.
d. Capital account	4. Value of exports and imports of a country.

Codes:

	A	B	C	D
a.	4	1	3	2
b.	3	2	4	1
c.	1	2	3	4

d. 4 3 2 1

3. Match the items of List-I with the items of List-II and choose the correct answer from the code given below:

List-I

List-II

a. Direct investment overseas aimed at manufacturing products not manufactured by the firm in the home country.	1. Inward FDI
b. Direct investment in a foreign country aimed to sell the output of the firm's domestic production.	2. Backward vertical FDI.
c. Direct investment overseas at providing inputs to the firms production process in the home country.	3. Conglomerate FDI
d. Foreign firms investing overseas and taking control over foreign assets.	4. Forward vertical FDI.

Codes:

	A	B	C	D
a.	4	3	2	1
b.	1	4	2	3
c.	3	4	2	1
d.	3	2	1	4

5. Statement I companies with low cash reserves normally prefer licensing mode rather than foreign direct investment.

Statement II cash rich firms normally prefer foreign direct investment.

Codes:

- a. Both statements are true
- b. Both statements are false
- c. Statement I is true but statement II is false
- d. Statement I is not true but statement II is true

6. The foreign investment promotion board revamps the rules and regulations pertaining to

- a. Accounting of foreign investment
- b. Investment by NRIs
- c. Foreign investments
- d. All of the above

7. Which one is not the form of FDI

- a. Purchases of existing assets in foreign currency
- b. New investment in property plant or equipment
- c. Making investment in the mutual fund
- d. Transfer of many types of assets.

Answer keys

1-A	2-A	3-C	4-C	5-C	6-C
-----	-----	-----	-----	-----	-----

Hilal Sir - 9906837425

UNIT-3

ACCOUNTING & AUDITING

1. The term budget is derived from the French word -----

- (a) Boget (b) Bougette (c) Bogeget (d) None of these

Ans : b

2. Profit will be the same under absorption costing and marginal costing only when -

- a) There is no opening or closing stocks, b) There is only closing stocks,
c) There is only opening stocks, d) Opening stocks are lower than closing stocks.

Ans : a

3. Contribution is -

- a) Sales - total cost, b) Sales - variable cost,
c) Sales - fixed cost, d) None of these.

Ans : b

4. Which one of the following statement is incorrect?

- a) Fixed costs are not included in the valuation of stock under marginal costing,
b) The technique of marginal costing is also known as variable costing,
c) Contribution is also known as marginal income,
d) Absorption costing is more suitable for decision taking than marginal costing.

Ans : d

5. Which one of the following statement is incorrect?

- a) Marginal costing is a method of ascertaining cost,
b) Marginal costing technique is used by the management for decision making,
c) In marginal costing, cost are classified into variable and fixed cost,
d) Sales above break-even point indicate profits.

Ans : a

6. Which one of the following statement is incorrect?

- a) P/V ratio indicates profitability, b) Sales below break-even point means profit,
c) Margin of safety indicate profit, d) Contribution margin = sales x P/V Ratio.

Ans : b

7. Which of the following are characteristics of the budgetary control?

- a) establishment, b) Co-ordination, c) Continuous comparison, d) None of these.

Ans : d

8. Which one of the ratio is not included under the budgetary control ratio?

- a) activity ratio, b) capacity ratio, c) productivity ratio, d) cash ratio.

Ans : d

9. Master budget is prepared by the

- a) committee, b) manager, c) employee, d) none of these.

Ans : a

10. Which one of the following statement is not correct?

- a) all cost concepts are not relevant in decision-making,
b) a manager is frequently required to make decision which involve alternative choice,

- c) decision-making is a future oriented activity,
d) all cost are relevant in decision-making.

Ans : d

11. Which of the cost is related with decision making?

- a) fixed cost, b) marginal cost, c) full cost, d) none of these.

Ans : b

12. Which one of the factor is not influencing pricing decision?

- a) market force, b) trade customs,
c) management's pricing strategy, d) orders.

Ans : d

13. The net profits will be maximized when contribution is -

- a) maximized, b) minimized, c) equal, d) none of these.

Ans : a

14. Responsibility accounting seeks to establish a relationship between planning and controlling by -

- a) establishing a system of collective responsibility,
b) fixing organizational responsibilities for profit planning and control,
c) dividing standards of work performance,
d) controlling cost and performance.

Ans:

15. Responsibility accounting is a system of where responsibility is assigned for the control cost.

- a) control, b) management, c) reduce, d) all of these.

Ans : a

16. Which one of the centre is not a part of responsibility centre?

- a) expense centre, b) revenue centre, c) profit centre, d) stock centre.

Ans : d

17. Each responsibility centre is put under the charge of a responsibility -

- a) manager, b) accountant, c) employee, d) all of these.

Ans : a

18. Which one of the following is not essential for a sound system of budgetary control?

- a) chart, b) budget centre, c) budget, d) flexibility.

Ans : d

19. Which of the following statement is correct?

- a) marginal costing technique is used by management for decision making,
b) in marginal costing, cost are classified into variable and fixed cost,
c) a firm earn no profit or incurs no loss at BEP,
d) all of these.

Ans : d

20. Which of the following statement is correct?

- a) BEP is the point at which total revenue is equal to total cost,
b) Contribution margin = Sales x P/V ratio,
c) BEP is the point at which total revenue is equal to total cost,
d) all of these.

Ans : d

21. Which of the following statement is correct?

- a) break-even chart is the graphic representation of cost-volume profit relationship,
- b) angle of incidence is the angle formed by the sales line and the total cost line at the BEP,
- c) marginal cost is same as variable cost,
- d) all of these.

Ans : d**22. Which of the following statement is true?**

- a) in marginal costing, managerial decisions are guided by contribution rather than by profit,
- b) MOS indicates profit,
- c) profit volume ratio indicates profitability,
- d) all of these.

Ans : d**23. Which of the following statement is false?**

- a) marginal costing is a method of ascertaining cost,
- b) a firm incurs a loss when contribution is equal to fixed cost,
- c) Contribution is always equal to fixed cost,
- d) all of these.

Ans : d**24. Which of the following statement is false?**

- a) a firm earn profit when contribution is equal to fixed cost under variable cost,
- b) MOS implies BEP,
- c) if the margin of safety is high, actual sales are very near to the breakeven sales,
- d) all of these.

Ans : d**25. Given, fixed cost = Rs.200000, variable cost = Rs.5, sales price = Rs.10 per unit. Find out BEP (in units) -**

- a) 40000,
- b) 60000,
- c) 30000,
- d) 45000.

Ans : a**26. Given, fixed cost = Rs.200000, variable cost = Rs.5, sales price = Rs.10 per unit. If selling price is reduced by 10%, the new BEP will be -**

- a) 50000,
- b) 40000,
- c) 75000,
- d) 49000.

Ans : a**27. The P/V ratio on X Co. Ltd. is 40% and its MOS is 50%. Find out the net profit, if sales volume is Rs.800000 -**

- a) Rs. 160000,
- b) Rs.140000,
- c) Rs.180000,
- d) Rs. 170000

Ans : a**28. The P/V Ratio of X Ltd. is 40% and its MOS is 50%. Find out BEP, if sales volume is Rs.800000**

- a) Rs.400000,
- b) Rs. 30000,
- c) Rs.450000,
- d) Rs.120000

Ans : a**29. A company earned a profit of Rs.30000 during the year 2010-11. If the marginal cost and selling price of a product are Rs.8 and Rs.10 per unit respectively, the MOS will be -**

- a) Rs.150000,
- b) Rs.130000,
- c) Rs.140000,
- d) Rs.120000

Ans : a**30. In the context of standard costing, basic standards is established for -**

- a) short period,
- b) current period,
- c) indefinite period,
- d) pre-defined period.

Ans : d

31. Which one of the following statements about internal performance reporting is true?

- a) Internal performance reports – always contain a mixture of financial and non-financial measurements,
- b) contain the same information as financial accounting statements, but they are produced monthly rather than annually,
- c) are required by an accounting standards to be based on the 'balance scorecard' system can take any form that management chooses.
- d) none of the above

Ans : c

32. Which one of the following statements is correct?

- a) A highly centralized organization –does not need any kind of performance measurement and reporting,
- b) permits a substantial degree of autonomy to divisional managers,
- c) is always less efficient than a decentralized organization,
- d) allows managers to retain close scrutiny and control over the business.

Ans : d

33. Which one of the following statements about divisional performance assessment is not true?

- a) Divisional managers should be assessed only on aspects of divisional performance over which they have control,
- b) Divisional performance is required to be reported to the Customs & Excise authorities on a quarterly basis,
- c) The method of assessment of divisional performance varies, depending upon whether the division is an investment centre or not,
- d) A highly autonomous division is responsible for virtually all aspects of its operations.

Ans : b

34. In a division that is treated as a profit centre, which of the following should be used as the basis for assessing divisional performance?

- a) Divisional profit before head office cost allocation,
- b) Contribution,
- c) Contribution less controllable fixed costs,
- d) Divisional profit before tax.

Ans : c

35. Which one of the following statements about goal congruence in a decentralized organization is correct?

- a) Goal congruence –requires the achievement of organizational goals within a tight timeframe,
- b) involves the minimization of inter-divisional rivalries in order to serve the best interests of the organization as a whole,
- c) means that all possible steps should be taken by divisional management to achieve the goals of the individual division,
- d) means that all divisional managers are given the same level of profit-related bonus.

Ans : b

36. A Ltd. has earned contribution of Rs. 200000 and net profit of Rs. 150000 on sales Rs. 800000. Calculate MOS.

- a) Rs.600000, b) Rs. 550000, c) Rs. 400000, d) Rs. 420000

Ans : a

37. Which one of the following statements about non-financial performance measures is not correct?

- a) the use of non-financial performance measures helps to address the deficiencies of measurements such as Return on Investment (ROI),

- b) non-financial measures should correspond as far as possible with the aims of the organization as a whole,
- c) non-financial measures do not involve the calculation or recording of any numbers,
- d) the most appropriate non-financial measures vary, depending upon the nature of the organization.

Ans : c

38. Which one of the following statement about the 'balance scorecard' is correct? The balance scorecard –

- a) is an interesting theoretical idea that has never taken off in practice,
- b) is used only by aeroplane manufacturers,
- c) is unhelpful because it involves too many separate reports,
- d) has been widely adopted in leading US and European companies.

Ans : d

39. Which one of the following is not a key perspective of the balanced scorecard?

- a) financial perspective,
- b) investment perspective,
- c) internal business perspective,
- d) customer perspective.

Ans : b

40. Which of the following is the correct description of the break-even-point?

- a) where total revenue equals total variable costs,
- b) where total revenue equals total contribution,
- c) where total revenue equals total fixed costs,
- d) where total revenue equals total fixed and variable costs.

Ans : d

41. In a profit-volume chart, what does the point at which the contribution line touches the vertical axis represent?

- a) the break-even point,
- b) total contribution,
- c) total variable cost,
- d) total fixed costs.

Ans : d

42. Which of the following best describes a fixed cost?

- a) a cost that is unaffected by time,
- b) a cost that involves a long-term commitment by the business,
- c) a cost that is unaffected by the level of inflation,
- d) a cost that is unaffected by the level of output.

Ans : d

43. Which one of the following best describes the margin of safety?

- a) the extent to which the total sales exceeds the total fixed costs,
- b) the extent to which the total sales exceeds the total fixed and variable costs,
- c) the extent to which the total sales exceeds the total variable costs,
- d) fixed costs / (sales revenue per unit – variable costs per unit)

Ans : b

44. A variable cost is one that –

- a) is constant per unit of output irrespective of the level of output,
- b) varies with the time period,
- c) will vary according to the general rate of inflation,
- d) varies directly but not proportionately with output.

Ans : a

45. A static budget is useful in controlling costs when cost behaviour is –

- a) mixed,
- b) fixed,
- c) variable,
- d) linear.

Ans : b

46. Responsibility centers include -

- a) cost centers, b) profit centers, c) investment centers, d) all of the above.

Ans : d

47. Responsibility reports for cost centers -

- a) distinguish between fixed and variable costs, b) use static budget data,
c) include both controllable and non-controllable costs, d) include only controllable costs.

Ans.

48. In a responsibility report for a profit center, fixed costs are deducted from contribution margin to show -

- a) profit center margin, b) controllable margin,
c) net income, d) income from operations.

Ans : b

49. A manager of an investment center can improve ROI by -

- a) increasing average operating assets, b) reducing sales,
c) increasing variable costs, d) reducing variable and / or controllable fixed costs.

Ans : d

50. Which cost is taken into consideration for 'make or buy' decisions?

- a) prime cost, b) total cost, c) cost of production, d) relevant cost.

Ans : b

OTHER IMPORTANT MCQs OF ACCOUNTING:

1. The net worth shall be calculated in accordance with the..... of the company as on..... or the first audited financial statements for accounting period which ends after that date;

- a) stand-alone financial statements, 31st March, 2014
b) consolidated financial statements, 31st March, 2014
c) consolidated financial statements, 1st April, 2015
d) consolidated financial statements, 1st April, 2014

2. Total Number of Ind AS which are notified as of date?

- a) 39 **b) 40** c) 69 d) 66

3. For companies covered in phase I, the transition date would be:

- a) 1 April 2015** b) 31 March 2014 c) 31 March 2015 d) 1 Apr 2016

4. For companies covered in phase I, the company would be required to prepare opening balance sheet at which date:

- a) 1 April 2015** b) 31 March 2014 c) 31 March 2015 d) 1 April 2016

5. _____ is the primary objective of cost accounting.

- A. cost ascertainment B. financial audit
C. profit analysis. D. tax compliance

ANSWER: A

6. Direct cost incurred can be identified with-----.

- A. each department B. each unit of output.
C. each month. D. each executive.

ANSWER: B

7. Overhead cost is the total of -----.

- A. all indirect costs
- B. all direct costs
- C. indirect and direct costs.
- D. all specific costs.

ANSWER: A

8. Imputed cost is a -----.

- A. notional cost
- B. real cost
- C. normal cost
- D. variable cost

ANSWER: A

9. Operating costing is suitable for-----.

- A. job order business
- B. contractors
- C. Sugar industries
- D. Service industries

ANSWER: D

10. Process costing is suitable for-----.

- A. hospitals
- B. oil refining firms
- C. transport firms.
- D. brick laying firms.

ANSWER: B

11. Cost classification can be done in -----.

- A. Two ways.
- B. Three ways.
- C. Four ways.
- D. Several ways.

ANSWER: D

12. Cost accounting refers to the techniques and processes of-----.

- A. allocation of costs
- B. ascertainment of costs
- C. distribution of cost
- D. sundry expenses

ANSWER: B

13. Indirect material used in production is classified as-----.

- A. office overhead
- B. selling overhead
- C. distribution overhead
- D. production overhead

ANSWER: D

14. Warehouse rent is a part of -----.

- A. prime cost
- B. factory cost
- C. distribution cost
- D. production cost

ANSWER: C

15. Indirect material scrap is adjusted along with -----.

- A. prime cost
- B. factory cost
- C. labour cost
- D. cost of goods sold

ANSWER: B

16. Which one of the following is not considered for preparation of cost sheet?

- A. Factory cost
- B. goodwill written off
- C. labour cost.
- D. Selling cost.

ANSWER: B

17. Sale of defectives is reduced from-----.

- A. prime cost
- B. works cost
- C. cost of production
- D. cost of sales.

ANSWER: C

18. Economic Order Quantity is also known as _____

- A. Reorder quantity
- B. Optimal order quantity
- C. Both A & B
- D. None of the above

ANSWER: C

19. Cost of sales plus profit is-----.

- A. selling price
- B. value of finished product.
- C. value of goods produced
- D. value of stocks.

ANSWER: A

20. Total of all direct costs is named as-----.

- A. work cost
- B. cost of goods sold
- C. prime cost
- D. cost of production.

ANSWER: C

21. Danger level is _____

- A. Average consumption * Lead time for emergency purchases
- B. Average consumption * reorder period
- C. Minimum consumption * minimum reorder period
- D. Maximum consumption * maximum reorder period

ANSWER: A

22. Audit fees is a part of-----.

- A. works on cost
- B. selling overhead
- C. distribution overhead
- D. administration overhead.

ANSWER: D

23. Management accounting is suitable for _____

- A. Small businesses
- B. Co-operative societies
- C. Non profit organisations
- D. Large industrial and trading concerns

ANSWER: D

24. Factory overhead can be charged on the basis of-----.

- A. material cost.
- B. labour cost.
- C. prime cost
- D. factory cost.

ANSWER: D

25. Office and administration expenses can be charged on the basis of-----.

- A. material cost
- B. labour cost
- C. prime cost
- D. factory cost

ANSWER: D

26. Selling and distribution expenses can be charges on the basis of-----.

- A. material cost
- B. labour cost
- C. prime cost
- D. factory cost.

ANSWER: D

27. The purpose of financial accounting is to provide information for-----.

- A. fixing prices
- B. controlling cost.
- C. locating factory leading to wastages and losses
- D. assessing the profitability and financial position of the firm.

ANSWER: D

28. An example of variable cost is-----.

- A. property tax
- B. interest on capital
- C. direct material cost
- D. depreciation of machinery.

ANSWER: C

29. Cost accounting concepts include all the following except-----.

- A. planning
- B. controlling
- C. profit sharing
- D. product costing

ANSWER: C

30. Toy manufacturing industry should use-----.

- A. unit costing
- B. process costing
- C. batch costing
- D. multiple costing.

ANSWER: C

31. Job costing used in _____

- A. chemical works
- B. printing works
- C. paper works
- D. textile mills.

ANSWER: B

32. Cost unit of a sugar industry can be-----

- A. per liter
- B. per tonne
- C. per acre
- D. per meter

ANSWER: B

33. The ascertainment of costs after they have been incurred is known as-----.

- A. marginal cost
- B. historical cost
- C. sunk cost
- D. notional cost

ANSWER: B

34. Direct material is a -----.

- A. variable cost
- B. fixed cost
- C. semi fixed cost
- D. semi variable cost.

ANSWER: A

35. According to which method of pricing issues is close to current economic values?

- A. Last In First Out
- B. First In First Out
- C. Highest In First Out
- D. Weighted average price.

ANSWER: A

36. Continuous stock taking is a part of-----

- A. Annual stock taking
- B. perpetual inventory
- C. ABC analysis
- D. VED analysis

ANSWER: B

37. _____ method of issuing materials are priced at a predetermined rate?

- A. specific price method.
- B. inflated price method
- C. Replacement price method.
- D. Standard price method

ANSWER: D

38. The term base stock in the _____ method of issuing materials represents the-----.

- A. quantity of stock being issued.
- B. maximum stock
- C. stock in balance
- D. minimum stock.

ANSWER: D

39. The ratios which reflect managerial efficiency in handling the asset is-----.

- A. turnover ratios.
- B. profitability ratios.
- C. short term solvency ratios.
- D. long term ratios

40. The ratios which reveal the final result of the managerial policies and performance are-----.

- A. turnover ratios
- B. profitability ratios
- C. short term solvency ratios
- D. long term solvency ratio.

ANSWER: B

41. Net profit ratio is a -----.

- A. turnover ratio
- B. long term solvency ratio
- C. short term solvency ratio
- D. profitability ratio.

ANSWER: D

42. Stock turnover ratio is-----.

- A. efficiency ratio
- B. profitability ratio
- C. short term solvency ratio
- D. long term solvency ratio

ANSWER: A

43. Current ratio is a -----.

- A. short term solvency ratio
- B. long term solvency ratio
- C. profitability ratio
- D. turnover ratio.

ANSWER: A

44. Proprietary ratio is a -----.

- A. short term solvency ratio
- B. long term solvency ratio
- C. profitability ratio
- D. turnover ratio.

ANSWER: A

45. Fixed asset ratio is _____ ratio.

- A. long term solvency
- B. short term solvency
- C. turnover
- D. profitability.

ANSWER: A

46. Debtors turnover ratio is an-----.

- A. Short term solvency ratio
- B. long term solvency ratio
- C. profitability ratio
- D. efficiency ratio

ANSWER: D

47. The ratio which measures the profit in relation to capital employed is known as-----.

- A. return on investment.
- B. Gross profit ratio
- C. operating profit ratio
- D. operating ratio

ANSWER: A

48. Return on equity is also called-----.

- A. return on on investment
- B. Gross profit ratio
- C. return on shareholders fund
- D. return on networth.

ANSWER: D

49. Preliminary expenses are an example of-----.

- A. fixed assets
- B. current assets
- C. fictitious assets
- D. current liabilities.

ANSWER: C

50. Prepaid expenses are an example of-----.

- A. fixed assets
- B. current assets
- C. fictitious assets
- D. current liabilities

ANSWER: B

51. The ratio which shows the proportion of profits retained in the business out of the current year's profit is-----.

- A. payout ratio
- B. retained earning ratio.
- C. earnings per share
- D. price earning ratio

ANSWER: B

52. The ratio which is calculated to measure the productivity of total assets is-----.

- A. return on equity.
- B. return on shareholders' funds
- C. return on total assets
- D. return on equity share holders' funds.

ANSWER: C

53. The dividend is related to the market value of shares is-----.

- A. interest coverage ratio
- B. fixed dividend coverage ratio
- C. debt service coverage ratio
- D. dividend yield ratio

ANSWER: D

54. Turn over ratio is also known as-----.

- A. activity ratio
- B. solvency ratio
- C. liquidity ratio
- D. profitability ratio

ANSWER: A

55. Inventory or stock turnover ratio is also called-----.

- A. Stock velocity ratio
- B. debtors velocity ratio
- C. creditors velocity ratio
- D. working capital turnover ratio

ANSWER: A

56. Which ratio is calculated to ascertain the efficiency of inventory management in terms of capital investment?

- A. Stock velocity ratio
- B. debtors velocity ratio
- C. creditors velocity ratio
- D. working capital turnover ratio

ANSWER: A

57. The ratio which measures the relationship between the cost of goods sold and the amount of average inventory is-----.

- A. Stock velocity ratio
- B. debtors velocity ratio
- C. creditors velocity ratio
- D. working capital turnover ratio

ANSWER: A

58. Sales -Gross profit=-----.

- A. net profit
- B. cost of production
- C. administrative expenses
- D. cost of goods sold

ANSWER: D

59. Opening stock+purchases+direct expenses-closing stock= -----.

- A. net profit
- B. cost of production
- C. administrative expenses
- D. cost of goods sold

ANSWER: D

60. Which ratio measures the number of times the receivables are rotated in a year in terms of sales?

- A. Stock turnover ratio
- B. debtors turnover ratio
- C. creditors turnover ratio
- D. working capital turnover ratio

ANSWER: B

61. Debtors turnover ratio is also called-----.

- A. stock turnover ratio
- B. debtors velocity ratio
- C. creditors velocity ratio
- D. working capital turnover ratio.

ANSWER: B

62. Creditors turnover ratio is also called-----.

- A. stock turnover ratio
- B. debtors turnover ratio
- C. accounts payable ratio
- D. working capital turnover ratio

ANSWER: C

63. Current assets-current liabilities=-----.

- A. fixed capital
- B. working capital
- C. opening capital
- D. closing capital

ANSWER: B

64. The ratio of current assets to current liabilities is called-----.

- A. liquid ratio B. acid test ratio C. current ratio D. cash position ratio

ANSWER: C

65. Internationally accepted current ratio is-----.

- A. 1:1 B. 2:1 C. 3:1 D. 4:1

ANSWER: B

66. Liquid ratio is also called-----.

- A. Super quick ratio B. acid test ratio
C. current ratio D. cash position ratio

ANSWER: B

67. Current assets-(stock +prepaid expenses)= -----.

- A. Current assets. B. Fixed assets
C. Liquid assets D. Fictitious assets

ANSWER: C

68. An ideal liquid ratio is-----.

- A. 0.25:1 B. 0.50:1 C. 0.75:1 D. 1:1

ANSWER: D

69. An ideal cash position ratio is -----.

- A. 0.25:1 B. 0.50:1 C. 0.75:1 D. 1:1

ANSWER: C

70. An ideal debt equity ratio is-----.

- A. 1 B. 2 C. 3 D. 4

ANSWER: A

71. The ratio establishes the relationship between fixed assets and long term fund is-----.

- A. current ratio B. fixed assets ratio
C. fixed assets turnover ratio D. debt equity ratio

ANSWER: B

72. the ratio compares the shareholders funds and total tangible assets are-----.

- A. capital gearing ratio B. fixed assets turnover ratio
C. proprietary ratio D. debt equity ratio

ANSWER: C

73. Share holders funds+Long-term loans= -----.

- A. current assets B. current liabilities
C. fixed assets D. capital employed

ANSWER: D

74. Low turnover of stock ratio indicates-----.

- A. solvency position B. monopoly situation
C. over investment in inventory D. liquidity position

ANSWER: C

75. Fund flow statement is based on the -----.

- A. cash concept of funds B. working capital concept
C. long term funds D. fixed assets concept of funds

ANSWER: B

76. All those assets which are converted into cash in normal course of business within one year are known as-----.

- A. fixed assets
- B. current assets
- C. fictitious assets
- D. wasting assets

ANSWER: B

77. Marginal cost is _____

- A. Prime cost
- B. Variable cost
- C. Works cost
- D. cost of production

ANSWER: B

78. Depreciation on fixed assets is-----.

- A. non operating income
- B. operating expense
- C. operating income
- D. non operating expense

ANSWER: D

79. Provision for income tax is-----.

- A. non operating income
- B. operating expense
- C. operating income
- D. appropriation of profits

ANSWER: D

80. Profit on sale of fixed assets is-----.

- A. non trading income
- B. operating income
- C. non trading gains
- D. long term gains

ANSWER: A

81. Financial accounting records only-----.

- A. standard figures
- B. estimated figures
- C. actual figures
- D. approximate figures

ANSWER: C

82. Break even chart is a chart of _____

- A. Sales
- B. Total cost
- C. Profit
- D. Sales and Total cost

ANSWER: D

83. The term 'Management Accountancy' was first used in-----.

- A. 1950
- B. 1939
- C. 1910
- D. 1947

ANSWER: B

84. Management accounting is also known as-----.

- A. price level accounting
- B. historical cost accounting
- C. financial accounting
- D. decision accounting

ANSWER: D

85. The prime function of management accounting is to-----.

- A. assist tax authorities
- B. assist the management in performing its functions effectively.
- C. interpret the financial data.
- D. record business transactions

ANSWER: B

86. Management accounting provides valuable services to management in performing

- A. co-ordinating functions
- B. controlling functions
- C. planning functions
- D. all managerial functions

ANSWER: D

87. Management accounting is an offshoot of-----.

- A. financial accounting
- B. cost accounting
- C. cost accounting and inflation accounting
- D. cost accounting and financial accounting

ANSWER: D

88. Management accounting analyses accounting data with the help of-----.

- A. auditors
- B. statutory forms
- C. tools and techniques
- D. formula.

ANSWER: C

89. Management accounting is suitable for-----.

- A. large industries and trading concerns
- B. co-operative societies
- C. small businesses.
- D. non-profit organisations.

ANSWER: A

90. Management accounting and cost accounting functions are-----.

- A. neutral in effect
- B. complementary in nature.
- C. contradictory in nature.
- D. does not relate to each other.

ANSWER: B

91. Management accounting use -----.

- A. quantitative data only
- B. qualitative data only
- C. descriptive data only
- D. both qualitative and qualitative data

ANSWER: D

92. The tracing or reassigning of costs to one or more cost objectives is referred to as-----.

- A. cost allocation
- B. historical costing
- C. set up costing
- D. cost apportionment

ANSWER: A

93. The three main categories of manufacturing costs are:-----

- A. direct material, direct labour and factory overhead
- B. direct labour, indirect labour and overtime premiums
- C. raw materials, work in progress and finished goods
- D. raw materials, direct labour and finished goods.

ANSWER: A

94. Which one of the following would be included in cash budget?

- A. depreciation charges
- B. dividends
- C. goodwill
- D. patent amortization

ANSWER: B

95. The document which is prepared after receiving and inspecting materials-----.

- A. material record note
- B. goods received note
- C. bill of material
- D. inventory record.

ANSWER: B

96. VED ia a technique for -----.

- A. the control of materials
- B. the control of labour
- C. the control of direct expenses
- D. the control of overhead

ANSWER: A

97. Bin card is maintained by-----.

- A. costing department
- B. stores department
- C. finance department
- D. accounting department

ANSWER: B

98. Overhead is also known as-----.

- A. on cost B. basic cost C. extra cost D. chargeable expenses

ANSWER: A

99. The process of setting standards and comparing actual performance with standards with a view to control the cost is-----.

- A. cost reduction B. cost control
C. cost allocation D. cost ascertainment

ANSWER: B

100. Under ABC method of material control, the materials are classified according to -----.

- A. its value B. its usage C. its nature D. its availability

ANSWER: A

101. Reorder level=-----.

- A. Maximum level-Minimum level
B. Maximum consumption * Maximum reorder period
C. Minimum consumption * Minimum Reorder period.
D. Normal consumption * Normal reorder period.

ANSWER: B

102. In order to avoid the stoppage of production due to shortage of material -----.

- A. Maximum stock level is maintained B. Minimum stock level is maintained
C. Re-order level is maintained D. average stock level is maintained

ANSWER: B

103. In order to avoid the cost of overstocking-----.

- A. Maximum stock level is maintained B. Minimum stock level is maintained
C. Re-order level is maintained D. average stock level is maintained

ANSWER: A

104. This is a point at which the store keeper should initiate purchase requisition for fresh supply. It is-----.

- A. Maximum stock level B. Minimum stock level
C. Reorder level D. Average stock level

ANSWER: C

105. This is a level at which normal issue of material are stopped, but issued under special condition. It is -----.

- A. Maximum stock level B. Minimum stock level
C. Danger level D. Average stock level

ANSWER: C

106. Annual usage is 6000 units @ Rs. 20 per unit. Cost of placing and receiving an order is Rs. 60 and annual carrying cost of one unit is 10% of inventory value. EOQ= -----

- A. 600 units B. 750 units C. 1200 units D. 1250 units

ANSWER: A

107. _____ is the method in which issue prices of material is computed by dividing total purchase cost of material in stock with total quantity in stock.

- A. Simple average method B. Periodical average method
C. Weighted average method D. Periodic simple average method

ANSWER: C

108. If minimum stock level is 900 units and economic ordering quantity is 750 units, then average stock level -----.

- A. 825 units B. 1275 units C. 1525 units D. 1650 units

ANSWER: B

109. Packing cost is -----.

- A. Production cost
B. Selling cost
C. administration cost
D. distribution cost

ANSWER: D

110. Directors remuneration and expenses form part of -----.

- A. Production overhead
B. Administration overhead
C. Selling overhead
D. Distribution overhead

ANSWER: B

111. Production cost under marginal costing includes -----.

- A. prime cost only
B. prime cost and fixed overhead
C. prime cost and variable overhead
D. prime cost, variable overhead, and fixed overhead.

ANSWER: C

112. Contribution margin is also known as-----.

- A. marginal income B. gross profit C. net profit D. net loss

ANSWER: A

113. Period costs are-----.

- A. overhead costs B. prime cost C. variable cost D. fixed cost

ANSWER: D

114. Contribution margin is equal to-----.

- A. fixed cost - loss
B. profit + variable cost
C. sales - fixed cost - profit
D. sales - profit

ANSWER: A

115. P/V ratio is an indicator of-----.

- A. the rate at which goods are sold. B. the volume of sales
C. the volume of profit D. the rate of profit

ANSWER: D

116. Margin of Safety is the difference between:-----

- A. Planned sales and planned profit.
B. actual sales and break even sales
C. planned sales and actual sales
D. planned sales and planned expenses

ANSWER: B

117. An increase in variable costs -----.

- A. reduces contribution
B. increases the profit
C. increases p/v ratio
D. increase margin of safety

ANSWER: A

118. An increase in selling price-----.

- A. increases the break even point
B. decreases the break even point
C. does not the break even point
D. optimize the break even point

ANSWER: B

119. A large margin of safety indicates-----.

- A. over production

C. the soundness of the business

D. under capitalization

ANSWER: C

120. CVP analysis is most important for the determination of-----.

A. sales revenue necessary to equal to fixed cost

B. relationship between revenues and cost at various levels of operations

C. variable revenues necessary to equal fixed costs.

D. volume of operations necessary to break-even.

ANSWER: A

121. Earnings per share (EPS) is a _____

A. Profitability ratio

B. Turnover ratio

C. Liquidity ratio

D. None of these

ANSWER: A

122. If fixed costs decrease while variable cost per unit remains constant, the new BEP in relation to the old BEP will be-----.

A. lower

B. higher

C. unchanged

D. indeterminate

ANSWER: B

123. Selling price per unit Rs. 10; variable cost Rs. 8 per unit; fixed cost Rs. 20,000; Break Even production in units-----.

A. 10,000

B. 16,300

C. 2,000

D. 2,500

ANSWER: A

124. Sales Rs. 25,000; Variable cost Rs. 8,000; Fixed cost Rs. 5,000; Break Even sales in value-----.

A. Rs.7936

B. Rs.7353

C. Rs.8333

D. Rs.9090

ANSWER: B

125. Fixed cost Rs. 80,000; variable cost Rs. 2 per unit; selling price Rs. 10 per unit ; turnover required for a profit target of Rs. 60,000-----.

A. Rs. 1,75,000

B. Rs. 1,17,400

C. Rs. 1,57,000

D. Rs. 1,86,667

ANSWER: A

126. Sales Rs. 25,000; variable cost Rs. 15,000; Fixed cost Rs. 4,000; P/V ratio is -----.

A. 40%

B. 80%

C. 15%

D. 30%

ANSWER: A

127. Sales Rs. 50,000; variable cost Rs. 30,000; Net profit Rs. 6,000; Fixed cost is-----.

A. Rs. 10,000

B. Rs. 14,000

C. Rs. 12,000

D. Rs. 8,000

ANSWER: B

128. Actual sales Rs. 4,00,000; Break Even Sales Rs. 2,50,000; Margin of safety in percentage is -----

A. 66.67%

B. 33.33%

C. 37.5%

D. 76.33%

ANSWER: C

129. P/V ratio 50%; variable cost of the produce Rs. 25; selling price is-----.

A. Rs. 50

B. Rs.40

C. Rs. 30

D. Rs. 55

ANSWER: A

130. Fixed cost Rs. 2,00,000; sales Rs. 8,00,000; P/V ratio 30%; the amount of profit is-----.

A. Rs. 50,000

B. Rs. 40,000

C. Rs. 35,000

D. Rs. 45,000

ANSWER: B

131. P/V ratio is 25% and margin of safety is Rs. 3,00,000; the amount of profit is-----.

- A. Rs. 1,00,000 B. Rs. 80,000 C. Rs. 75,000 D. Rs. 60,000

ANSWER: C

132. Total sales Rs. 20,00,000; fixed expenses Rs. 4,00,000; P/V ratio 40%; Break even capacity in percentage is -----.

- A. 40% B. 60% C. 50% D. 45%

ANSWER: C

133. Break-even point occurs at 40% of total capacity, margin of safety will be-----.

- A. 40% B. 60% C. 80% D. 85%

ANSWER: B

134. If the P/V ratio of a product is 30% and selling price is Rs. 25 per unit, the marginal cost of the product would be -----.

- A. Rs. 18.75 B. Rs. 16 C. Rs. 15 D. Rs. 20

ANSWER: A

135. Absorption costing is also known as-----.

- A. historical costing B. real costing C. marginal costing D. standard costing

ANSWER: A

136. Under marginal costing stock are valued at-----.

- A. fixed cost B. semi variable cost C. variable cost D. market price

ANSWER: C

137. Marginal costing lays emphasis on-----.

- A. production B. sales C. marketing D. advertising

ANSWER: B

138. Selling price-marginal cost=-----.

- A. Fixed cost B. semi-variable cost C. contribution D. break even point

ANSWER: C

139. Total sales-total variable cost-----

- A. fixed cost B. semi variable cost C. Contribution D. break even point

ANSWER: C

140. contribution means -----

- A. Fixed cost B. semi-variable cost C. margin of safety D. fixed cost + profit

ANSWER: D

141. One of the most important tools of cost planning is-----.

- A. budget B. direct cost C. unit cost D. cost sheet

ANSWER: A

142. Sales budget is a -----.

- A. Functional budget B. Expenditure budget C. Master budget D. Flexible budget

ANSWER: A

143. The budget which usually takes the form of budgeted profit and loss account and balance sheet is known as-----

- A. flexible budget B. Master budget C. Cash budget D. purchase budget

ANSWER: B

144. Which of the following is usually a long-term budget?

A. Fixed budget B. Cash budget C. Sales budget D. Capital expenditure budget.

ANSWER: D

145. Zero base budgeting refers to _____

- A. Short term and long term budgeting B. Performance reporting
C. Responsibility Accounting D. Justification of every item in the budget afresh

ANSWER: D

146. The budget, which is prepared first of all is-----.

- A. Master budget B. Cash budget
C. Budget for key factor D. flexible budget

ANSWER: C

147. Operation budget normally cover for a period of-----.

- A. one to ten years B. one to two years
C. one to five years D. one year or less

ANSWER: D

148. The entire process of preparing the budget is known as-----.

- A. planning B. organizing C. budgeting D. controlling

ANSWER: C

149. Budgetary control starts with-----.

- A. planning B. organizing C. budgeting D. controlling

ANSWER: C

150. Long-term budgets are prepared for -----.

- A. 1 year B. 1-3 years C. 1-5years D. 5-10 years

ANSWER: D

ADVANCED ACCOUNTING

1. Accounting standard – 14 is related with -

- a) amalgamation b) valuation of stock,
c) depreciation accounting, d) valuation of assets.

Ans : a

2. Accounting standard – 14 is a nature of -

- a) mandatory, b) compulsory, c) injunction, d) all of these.

Ans : a

3. The liquidation can take place in any of -

- a) by compulsory winding up by the court, b) by voluntary winding up
c) winding up subject to supervision of the court, d) all of these.

Ans:d

4. The administrator is appointed to realize a hierarchy of objectives. What is an administrator's first and principle objective?

- a) to achieve a better result for the company's creditors as a whole that would be likely if the company were wound up.
b) to realize property in order to make a distribution to one or more secured creditors,
c) to rescue the company as a going concern,
d) to wind the company up and distribute the assets to persons entitled to them.

Ans : c

5. An administrator can be appointed in one of several different ways. Which one of the following is not a valid method of appointment?

- a) an administrator can be appointed by the court,
- b) an administrator can be appointed by a floating charge holder,
- c) an administrator can be appointed by the company's auditor,
- d) an administrator can be appointed by the company.

Ans : c

6. Regarding the proposal for a company voluntary arrangement, which one of the following statements is not true?

- a) if the company is in administration, the proposal will be made by the administrator,
- b) if the company is in liquidation, the proposal will be made by the liquidator,
- c) if the company is neither in administration or liquidation, the proposal can be made by the directors,
- d) if the company is neither in administration or liquidation, the proposal can be made by the members or creditors.

Ans : d

7. Regarding the appointment of receiver, which one of the following statement is not true –

- a) a receiver may be natural person or a body corporate,
- b) a charge-holder can appoint a receiver if the instrument that created the charge states so,
- c) the court can appoint a receiver upon an application from a creditor,
- d) an undischarged bankrupt cannot normally act as a receiver.

Ans : a

8. Which one of the following does not have the right to petition the court for a compulsory winding-up order?

- a) the auditor of the company,
- b) the company itself,
- c) any creditor of the company,
- d) the directors of the company.

Ans : a

9. A compulsory winding-up order can only be made on a number of specified grounds. The majority of such orders are made on the basis of which ground?

- a) the company is unable to pay its debts,
- b) where the company has resolved, by special resolution, to compulsorily wind up the company,
- c) where the company is an 'old public company',
- d) where the court is of the opinion that the company should be wound up on just and equitable grounds.

Ans : a

10. Which one of the following statements describes the difference between a members' voluntary winding up and a creditors' voluntary winding up?

- a) if a majority of the directors make a declaration of solvency, the winding up will be a members' voluntary winding up. If no such declaration is made, it will be a creditors' voluntary winding up,
- b) a creditors' voluntary winding up is commenced by the creditors, whereas a members' voluntary winding up is commenced by the members,
- c) a members' voluntary winding up is commenced by passing a special resolution, whereas a creditors' voluntary winding up does not require a special resolution,
- d) none of the following.

Ans : a

11. How does fraudulent trading under the Companies Act 2006 differ to fraudulent trading under the Insolvency Act 1986?

- a) fraudulent trading under the Companies Act 2006 can apply at any time, whereas fraudulent trading under the Insolvency Act 1986 can only apply during the course of a winding up,

- b) fraudulent trading under the Companies Act 2006 imposes civil liability only, whereas fraudulent trading under the Insolvency Act 1986 imposes criminal liability also,
c) there is no difference – both provision are identical,
d) fraudulent trading under Companies Act 2006 only applies to registered companies, whereas fraudulent trading under the Insolvency Act can also apply to partnerships and sole proprietorships.

Ans : a

12.A liquidator must distribute the company's assets in a prescribed order. Which one of the following states the correct order for distribution?

- a) liquidation expenses, preferential debts, debts secured by floating charge, unsecured debts, deferred debts, surplus to members,
b) liquidation expenses, preferential debts, debts secured by fixed charge, debts secured by floating charge, unsecured debts, deferred debts, surplus to members,
c) debts secured by fixed charge, preferential debts, liquidation expenses, debts secured by floating charge, unsecured debts, deferred debts, surplus to members,
d) debts secured by fixed charge, debts secured by floating charge, preferential debts, liquidation expenses, unsecured debts, deferred debts, surplus to members.

Ans : a

13. On incorporation of a company, the Registrar of Companies in addition to the Certificate of Incorporation, issues a unique identification number called –

- a) unique corporate number,
b) corporate identification number,
c) company identification number,
d) unique identification number.

Ans : b

14. In winding-up by the court, the statement of affairs has to be submitted within –

- a) 15 days from the date of winding-up order, b) 21 days from the date of winding-up order, c) 30 days from the date of winding-up order, d) 90 days from the date of winding-up order.

Ans : b

15. When a default occur under section 421 and / or 422 in respect of receiver regarding filing of periodic accounts and / or making of reference of statements about the appointment of receiver, the company and every officer in default shall be punishable with –

- a) a monetary fine which may extend to Rs. 5000,
b) a monetary fine which may extend to Rs. 2000,
c) a monetary fine which may extend to Rs.5000 and imprisonment upto 6 months,
d) none of the above.

Ans : b

16. On liquidation of company, the preferential payment in respect of salary or wages is restricted to –

- a) Rs.10000, b) Rs.20000, c) Rs.50000, d) Rs.75000.

Ans : b

17. A Ltd and B Ltd go into liquidation and a new company X Ltd is formed. It is a case of –

- a) absorption,
b) external reconstruction,
c) amalgamation,
d) none of the above.

Ans : c

18. X Ltd. goes into liquidation and an existing company Z Ltd. purchases the business of X Ltd. It is a case of –

- a) absorption,
b) external reconstruction,
c) amalgamation,
d) none of the above.

Ans : a

19. Shareholders are entitled to –

- a) share residually in the company's assets upon liquidation,
c) share the profits,
- b) vote,
d) all the above.

Ans : d

20. If AB Ltd buys more than 50% of the shares in CD Ltd then which of the following statements accurately summarizes the relationship between these two firms?

- a) AB Ltd is a subsidiary undertaking of CD Ltd,
b) AB Ltd is the parent undertaking,
c) CD Ltd is the parent undertaking,
d) There is no significant financial relationship between the two.

Ans b

21. When someone buys ordinary shares in another company then they are entitled to all bar one of the following –

- a) voting rights at the shareholder's meetings,
b) a right to an interest in the net assets of the company,
c) a right to dividends out of the company profits,
d) a right to an interest in the profits earned by the company.

Ans : c

22. On a consolidated balance sheet, if the shares of a company have been bought for more than the balance sheet value then the difference would appear as –

- a) loss on purchase, b) goodwill, c) capital reserve, d) profit on purchase.

Ans : b

23. If less than 100% of a subsidiary's share capital has been acquired then what is the rule for inclusion of the subsidiary's assets on the consolidated balance sheet?

- a) half the value should appear,
b) none can appear until all the shares have been acquired,
c) only a proportional amount should appear,
d) all the assets should appear.

Ans : d

24. What is the term used to describe dividends paid by one company in the group to another in the same group?

- a) interim dividends, b) group dividends,
c) intergroup dividends, d) intra-group dividends.

Ans : d

25. If stock is sold for a profit from one group member to another, how should this be dealt with in the final accounts?

- a) stock should appear at the original cost,
b) the profits should be included but stock would appear at the value sold for,
c) profit on sale should be eliminated and stock appears at original cost,
d) profits on the sale should be eliminated.

Ans : c

26. The claim by outsiders to assets featured on a consolidated balance sheet is known as –

- a) negative goodwill, b) wholly owned subsidiary,
c) minority interest, d) subsidiary.

Ans : c

27. Under acquisition accounting, the fair value of an asset will be the –

- a) historical cost of the assets, b) replacement cost,
c) cost paid for assets, d) decided by purchaser.

Ans : c

28. On consolidation, if the total of the fair value of the assets acquired is less than the whole purchase consideration then the differences should be treated as –

- a) loss on acquisition,
- b) goodwill,
- c) negative goodwill,
- d) profit on acquisition.

Ans : b

29. If parent undertaking owns 60% of subsidiary Lev Ltd. and Lev Ltd. itself owns 40% of another subsidiary Hinds Ltd., the parent company owns how much of Hinds Ltd.?

- a) 24%,
- b) 60%,
- c) 40%,
- d) 12%

Ans : a

30. When dealing with consolidated balance sheets, the expression cost of control could be used instead of –

- a) goodwill,
- b) intangible investments,
- c) acquisition expenditure,
- d) negative goodwill.

Ans : a

31. Why do wholly owned subsidiaries not have to prepare consolidated financial statements?

- a) it is considered that it would involve too much work,
- b) no shareholders would need to see them,
- c) historical legal precedent,
- d) small firms are exempt.

Ans:

32. In acquisition accounting, the 'fair value' of quoted investments should be based upon –

- a) net realizable value,
- b) replacement cost,
- c) historical cost,
- d) market price.

Ans : d

33. If a parent undertaking owns 75% of a subsidiary Clews Ltd., and Clews Ltd. itself owns 20% of another subsidiary, Chase Ltd. then the parent company owns how much of Chase Ltd.?

- a) 155,
- b) 50%,
- c) 75%,
- d) 25%.

Ans : a

34. If a parent undertaking owns 60% of a subsidiary Batnak Ltd. and Batnak Ltd. itself owns 33% of another subsidiary, Brassington Ltd., then the parent company owns how much of Brassington Ltd.?

- a) 60%,
- b) 40%,
- c) 33%,
- d) 20%.

Ans : d

35. Which of the following is not one of the three fundamental methods of firm valuation?

- a) discounted cash flow,
- b) income or earnings – where the firm is valued on some multiple of accounting income or earnings,
- c) balance sheet – where the firm is valued in terms of its assets,
- d) market share.

Ans:

36. Which of the following represents the correct formula for valuing a share with a growing dividend?

- a) $P_t = d_0 \times (1 - g) / (r - g)$
- b) $P_t = d_0 \times (1 + g) / (r + g)$
- c) $P_t = d_0 \times (1 + g) / (r - g)$
- d) $P_t = d_1 \times (1 + g) / (r - g)$

Ans : c

37. If you are using a dividend valuation approach, how is supernormal dividend growth dealt with for valuation –

- a) the period of supernormal growth should be dealt with separately on a year by year basis,

- b) the formula $P_t = d_0 \times (1 + g) / (r - g)$ can be applied,
c) the formula $P_t = d_1 \times (r - g)$ can be applied,
d) the formula $g = ROE \times b$ can be applied.

Ans : a

38. What is the value of the firm usually based on –

- a) the value of debt and equity,
b) the value of equity,
c) the value of debt,
d) the value of assets plus liabilities.

Ans : b

39. Which of the following is not a reason why firms typically do not report values for intangible capital?

- a firm's intangible capital is the main source of its competitive advantage,
- it may be hard to firmly establish intangible value in the event of a dispute,
- there are no completely reliable metrics that allow us to do it,
- tangible capital is of significantly greater value than intangible capital.

Ans : d

40. Which of the following defines the market to book value?

- a) the ratio of stock market valuation divided by the value of its NAV,
b) the ratio of NAV value divided by stock market valuation,
c) the market value of tangible assets divided by the book value of tangible assets,
d) the market value of intangible assets divided by the book value of intangible assets.

Ans : a

41. Current tax should be measured using tax rates and tax laws that –

- a) Have been enacted by the end of the reporting period,
- b) Have been enacted by the date that the financial statements are authorized for issue,
- c) Have been enacted or substantively enacted by the end of the reporting period,
- d) Have been enacted or substantively enacted by the date that the financial statements are authorized for issue.

Ans : c

42. Deferred tax should be accounted for in relation to certain differences between taxable profit and accounting profit. The differences which require an entity to account for deferred tax are –

- a) temporary differences,
b) permanent differences,
c) both temporary differences and permanent differences,
d) neither temporary differences nor permanent differences.

Ans : a

43. A person includes –

- only individual,
- only individual and HUF,
- individuals, HUF, firm, company only,
- individuals, HUF, company, firm, AOP or BOI, local authority, every artificial juridical person.

Ans : d

44. Every assess is a person,

- a) and every person is also an assessee, b) every person need not be an assessee,
c) an individual is always an assessee, d) HUF is always an assessee.

Ans : b

45. Assessment year can be a period of –

- a) only more than 12 months,
c) only 12 months,
- b) 12 months and less than 12 months
d) 12 months and more than 12 months.

Ans : c

46. Income accrued outside India and received outside India is taxable in case of –

- a) Resident and ordinary resident only,
- b) Resident but not ordinary resident only,
- c) Non resident only,
- d) All of the above.

Ans : a

47. Which of the following income is exempt from tax?

- a) sum received by a member from HUM,
- b) dividend received from a foreign company,
- c) agricultural income from Bangladesh,
- d) salary income from a non profitable organization.

Ans : a

48. Cost of acquisition in case of bonus shares allotted before 1.4.1981 will be –

- a) nil,
- b) FMV as on 1.4.1981,
- c) Rs.10000,
- d) cost of original shares on the basis of which bonus shares are allotted.

Ans : b

49. Long term capital loss can be set off from which of the following –

- a) short term capital gain only,
- b) long term capital gain only,
- c) income from business or profession,
- d) income from salary.

Ans : b

50. Deduction under section 80C to 80U cannot exceed –

- a) Gross Total Income,
- b) Total income,
- c) Income from business or profession,
- d) Income from house property.

Ans : a

FINANCIAL STATEMENT ANALYSIS

1. Long term sources of finance may contain –

- I. Retained earnings,
- II. Inter corporate deposits,
- III. Debentures,
- IV. Preference share capital.

Find the correct combination according to the code –

- a) I, III and IV are correct,
- b) II, III and IV are correct,
- c) II and III are correct,
- d) II and IV are correct.

Ans : a

2. "Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are of a financial character and interpreting the results thereof." – This definition is –

- a) American Institute of Certified Public Accountants,
- b) J. Betty,
- c) Gestonburg,
- d) None of these.

Ans:

3. Accounting principles are divided into two types. These are –

- a) Accounting concepts,
- b) Accounting conventions,
- c) Accounting standard,
- d) 'a' & 'b' both

Ans : d

4. Accounting is the language of –

- a) Business,
- b) Books of accounts,
- c) Accountants,
- d) none of these.

Ans : a

5. Which of the following equation is related with Dual Aspect Concept?

- a) Total assets = Total liabilities, b) Total assets = Capital + Outsider's liabilities,
 c) Capital = Total assets – Outsider's liabilities, d) All of these.

Ans : d

6. Which expenses is a capital nature?

- a) depreciation, b) wages, c) salary, d) stationary.

Ans : a

7. Depreciation is a charge against –

- a) profit, b) assets, c) company, d) books of accounts.

Ans : a

8. Dividend can be declared from –

- a) revenue profit, b) capital profit, c) secret reserve, d) all of these.

Ans : a

9. Balance is a statement of –

- a) assets, b) liabilities, c) capital, d) all of these.

Ans : d

10. Amount receivable by a company against credit sales are usually called –

- a) sundry debtors, b) bills receivable, c) creditors, d) bills payable.

Ans : a

11. In case of Joint Stock Company, financial statements refer to –

- a) Balance Sheet, b) Trial Balance and Profit & Loss Account,
 c) Profit & Loss Account, d) Balance Sheet, Profit & Loss A/C and Profit & Loss Appropriation A/C

Ans : d

12. Which one of the following is not an example of intangible assets?

- a) patents and trade marks, b) copyright, c) slogan, d) land

Ans : d

13. Cost of intangible fixed assets are over their useful lives.

- a) depreciated, b) amortized, c) charged, d) allocated.

Ans : b

14. Which one of the equation is a correct?

- a) Total assets = Current liabilities, b) Total assets = Long-term liabilities,
 c) Total assets = Fixed assets, d) Total assets = Total liabilities + Owner's equity.

Ans : d

15. A company can purchase its own –

- a) equity shares, b) preference shares, c) debentures, d) all of these.

Ans : c

16. The minimum amount that should be called by a company with application for its shares is the following per cent of face value of shares –

- a) 2%, b) 5%, c) 10%, d) 15%.

Ans : b

17. The rate of commission payable on the issue of shares should not be more than the following –

- a) 2%, b) 3%, c) 4%, d) 5%.

Ans : d

18. A company can not issue –

- a) redeemable equity shares, b) redeemable preference shares,
 c) redeemable debentures, d) none of these.

Ans : a

19. The fair value of share is the average of –

- a) par value and market value, b) intrinsic value and par value,
 c) intrinsic value and yield value, d) par value and yield value.

Ans : c

20. The basic purpose of funds flow statement is to indicate the following –

- a) financial position, b) increase or decrease in assets,

- c) increase or decrease in liabilities, d) increase or decrease in working capital.

Ans : d

21. Which one of the following is Leverage Ratio?

- a) debt-equity ratio, b) current ratio,
c) operating ratio, d) inventory ratio.

Ans : a

22. Which of the following statement is correct?

- a) debt equity ratio is solvency ratio, b) ROI measures overall profitability, Low
c) gearing is preferable to high gearing, d) all of these.

Ans : d

23. Long-term solvency is indicated by –

- a) rate of return, b) liquid ratio,
c) debt-equity ratio, d) capital gearing ratio.

Ans : c

24. ROI ratio is calculated to measure the following –

- a) long-term solvency of business,
b) earning power of net assets of business,
c) short-term liquidity position of business,
d) the relationship between goods sold and inventory level.

Ans:

25. Which one of the following items represent a potential use of working capital?

- a) good amortization, b) sale of fixed assets at loss,
c) net loss from operations, d) declaration of share dividend.

Ans : c

26. Which of the following is not normally paid from the working capital?

- a) payment of wages, b) payment of creditors,
c) redemption of debentures, d) purchase of raw materials.

Ans : c

27. Which of the following will result in flow of funds?

- a) appreciation in value of buildings, b) depreciation of assets,
c) purchase of furniture, d) writing off goodwill.

Ans : c

28. Which of the following is not a source of funds?

- a) purchase of machinery, b) profit earned during the year,
c) issue of share capital, d) long-term loan raised.

Ans : a

29. Cash from operation is equal to –

- a) Net Profit + increase in current assets,
b) Net Profit + decrease in current liabilities,
c) Net Profit + Non cash expenses + decrease in current assets,
d) Net Profit after tax.

Ans:

30. The system of recording transactions based on dual aspect concept is called –

- a) double account system, b) double entry system,
c) single entry system, d) none of these.

Ans : b

31. Depreciation of fixed assets is an example of –

- a) revenue expenditure, b) capital expenditure,
c) deferred revenue expenditure, d) all of these

Ans : a

32. Financial statement involves –

- a) The balance sheet, b) The income statement,
c) The statement of appropriation of profit, d) all of those.

Ans : d

33. Which of the following is classification of assets?

- a) current assets,
c) fictitious assets & Contingent assets,

Ans : d

34. Fictitious assets known as –

- a) current assets,
c) closing assets,

Ans : b

35. Fictitious assets consists –

- a) preliminary expenses,
c) debit balance of P & L account,

Ans : d

36. Forms of income statement are –

- a) manufacturing account,
c) profit & loss appropriation account,

Ans : d

37. Methods of analysis and interpretation of financial statement are –

- a) comparative statement,
c) ratio analysis,

Ans : d

38. AS-3 is related with –

- a) Cash flow statement,
c) stock valuation,

Ans : a

39. Revised AS-3 issued by the –

- a) The Institute of Chartered Accountant of India,
c) The Institute of Company Secretaries of India,

Ans : a

40. Cash flow from operating activities includes –

- a) Cash receipts from customers,
c) cash payment for overheads,

Ans : d

41. Working capital represents the portion of current assets financed through long-term funds. This includes (1) net working capital and / or (2) gross working capital –

- a) 1 is correct,
c) both 1 and 2 are correct,
- b) 2 is correct,
d) neither of the two is correct.

Ans : c

42. Dividend policy of a company mainly concerns with –

- I. Dividend payout and / or.
II. Stability of dividend.

- a) Only I is correct,
c) Both I and II are correct,

- b) Only II is correct,
d) Both I and II are incorrect

Ans : a

43. According to the accounting profession, which of the following would be considered a cash for item from an 'investing' activity?

- a) cash inflow from interest income,
c) cash outflow to acquire fixed assets,
- b) cash inflow from dividend income,
d) all of the above.

Ans : c

44. According to the Financial Accounting Standards Board (FASB), which of the following is a cash flow from a 'financing' activity?

- a) cash outflow to the government for taxes,
b) cash outflow to shareholders as dividends,
c) cash outflow to lenders as interest,
d) cash outflow to purchase bonds issued by another company.

Ans : b

45. On an accounting statement of cash flows an 'increase / decrease in cash and cash equivalents' appear as –

- a) a cash flow from operating activities,
- b) a cash flow from investing activities,
- c) a cash flow from financing activities,
- d) none of the above.

Ans : d

46. Uses of funds include a / an –

- a) decrease in cash,
- b) increase in any liability,
- c) increase in fixed assets,
- d) tax refund.

Ans : c

47. Which of the following would be included in a cash budget?

- a) depreciation charges,
- b) dividends,
- c) goodwill,
- d) patent amortization.

Ans : b

48. An examination of the sources and uses of funds statement is part of –

- a) a forecasting technique,
- b) a funds flow analysis,
- c) a ration analysis,
- d) calculations for preparing the balance sheet.

Ans : b

49. Which of the following is not a cash outflow for the firm?

- a) depreciation,
- b) dividends,
- c) interest payments,
- d) taxes.

Ans : a

50. Which of the following would be considered a use of funds?

- a) a decrease in accounts receivable,
- b) a decrease in cash,
- c) an increase in account payable,
- d) an increase in cash.

Ans : d

COST ACCOUNTING

1. Material control involves_____.

- A. consumption of material
- B. issue of material.
- C. purchase of material.
- D. purchase, storage and issue of material.

ANSWER: C

2. Material requisition is meant for_____.

- A. purchase of material.
- B. supply of material from stores.
- C. sale of material.
- D. storage of material.

ANSWER: B

3. Stock control through stock levels and EOQ is called_____.

- A. demand and supply method.
- B. perpetual inventory system.
- C. control by important and exception.
- D. automatic order method.

ANSWER: B

4. Standard costs is.....

- (A) Predetermined cost
- (B) budgeted cost
- (C) Actual cost
- (D) none of these

5.are costs which have been applied against revenue of particular accounting period.

- (A) Expenses
- (B) income
- (C) loss
- (D) none of these

6.is the smallest segment of activity or area or responsibility for which costs are accumulated.

- (A) Cost Object
- (B) Cost centre
- (C) Cost driver
- (D) None of the above

7. The primary emphasis of.....cost is on the planning function of management.
(A) Budgeted (B) Standard (C) Period (D) None of these
8.cost is irrecoverable cost.
(A) marginal (B) out of pocket (C) Sunk (D) none of these
9.is the value of a benefit where no actual cost is incurred.
(A) Imputed (B) sunk (C) out of pocket (D) none of these
10.is the cost which involves payment to outsiders.
(A) Out of pocket cost (B) Imputed cost (C) notional cost (D) none of these
11. is the maximum possible alternative earning that might have been earned if the productive capacity is put to some alternative use.
(A) Opportunity (B) incremental revenue
(C) alternative revenue (D) none of these
12. An item of cost that is direct for one business may befor another business.
(A) Important (B) direct (C) Indirect (D) none of the above.
13. The total of all direct expenses is known ascost.
(A) Prime (B) Works (C) Production (D) both a & b
14. The principle types of inventories are raw materials and ,.....and finished goods
(A) Processed materials (B) Goods-in-progress (C) Stored goods (D) Goods for dispatch
15. Re-ordering level = Maximum consumption x
(A) Average re-order period (B) Maximum usage
(C) Maximum re-order period (D) Normal usage
16. Inventory turnover ratio = Cost of inventory consumed during the period ÷ Cost ofheld during the period
(A) Average inventory (B) minimum inventory
(C) maximum inventory (D) none of these
17. Inventory turnover in days = Days during the period ÷.....
(A) Inventory turnover ratio (B) Material consumed during the period
(C) Cost of average stock during the period (D) None of these
18.is a technique of material cost control which leads to low carrying cost as a result of low investment in inventory
(A) ABC Analysis (B) JIT Inventory System
(C) VED Analysis (D) Perpetual Inventory System
19.is a technique of stock control which leads to saving of time of the management because attention is required to be paid only to some of the items rather than on all the items.
(A) ABC Analysis (B) JIT Inventory System
(C) VED Analysis (D) Perpetual Inventory System
20. is used primarily for control of spare parts.
(A) ABC Analysis (B) JIT Inventory System

(C) VED Analysis

(D) Perpetual Inventory System

21. Inventory turnover ratio = Cost ofduring the period ÷ Cost of average inventory held during the period.

(A) Inventory consumed

(B) minimum inventory

(C) maximum inventory

(D) none of these

22. Re-ordering level = X Maximum re-order period

(A) Average re-order period

(B) Maximum usage

(C) Maximum consumption

(D) Normal usage

23.obviates the necessity for the physical checking of all items of stores at the end of the year and thereby avoids dislocation of production.

(A) ABC Analysis

(B) JIT Inventory System

(C) VED Analysis

(D) Perpetual Inventory System

24. Cost accounting provides data for managerial.....

(A) Decision making

(B) recruitment

(C) retrenchment

(D) none of the above.

25. Cost accounting is based on.....figures.

(A) Estimated

(B) historical

(C) actual

(D) none of these.

26. Cost accounting provides detailed information aboutof various products, processes, services and operations.

(A) Costs

(B) income

(C) either a or b

(D) none of these.

27. Cost accounting records both monetary and units.

(A) cost

(B) Physical

(C) both a & b

(D) none of these.

28. The method of costing used in a refinery is.....costing.

(A) job

(B) batch

(C) multiple

(D) Process

29.costing is used in transport undertakings.

(A) Process

(B) service

(C) multiple

(D) job

30. The total variable cost in total proportion to output.

(A) Increases

(B) does not increase

(C) decreases

(D) none of these.

31. Variable cost per unit

(A) Remains constant

(B) varies

(C) decreases

(D) increases

32. Sunk costs are for decision-making

(A) irrelevant

(B) relevant

(C) useful

(D) none of these.

33. Costing and cost accounting are

(A) not related at all

(B) one and the same

(C) Not the same

(D) none of these.

34. Material control does not cover the following stage.

(A) Purchase of materials

(B) storing of materials

(C) issue of materials

(D) production

35. Material control aims at achieving effective.....
(A) **Material management** (B) quality control
(C) accounting of material (D) material supply
36. Stores Ledger is maintained in the.....
(A) Store (B) finance department
(C) **cost accounting department** (D) Both a & b
37. Stock verification sheets are maintained to record the results of
(A) **Physical verification** (B) financial control
(C) financial verification (D) quality verification
38. Stock Adjustment Account is debited withand credited with
(A) Surplus, shortage of stock (B) **shortage of stock, surplus**
(C) excess, loss (D) none of these
39. Bin card is a record ofonly.
(A) Cost (B) value (C) **quantity** (D) expense
40. Bin card is maintained by the.....
(A) Cost accountant (B) Clerk (C) **storekeeper** (D) branch accountant
41. Material abstract is also known as
(A) **Material issue analysis sheet** (B) bill of materials
(C) stores ledger (D) none of the above
42. Material should be issued by the store keeper against.....
(A) Material requisition (B) bill of materials
(C) **both a & b** (D) none of these
43. First in first out method of valuing material issues is suitable in times of.....
(A) Rising prices (B) **falling prices**
(C) fluctuating prices (D) none of these
44.costing is applicable to printers.
(A) Process (B) batch (C) multiple (D) **job**
45. Process costing is also known as.....costing.
(A) multiple (B) batch (C) **Continuous** (D) job
46. Operating costing is also known ascosting.
(A) **Service** (B) batch (C) multiple (D) job
47.costing is a type or technique of costing.
(A) multiple (B) batch (C) Marginal (D) **job**
48.costing is a type or technique of costing.
(A) **Absorption** (B) batch (C) multiple (D) job
49.is not the scope of Cost Accountancy.
(A) Ascertaining cost (B) cost accounting (C) cost control (D) **tax planning**
50. Cost Accounting has been developed because of..... of Financial Accounting.
(A) **Limitations** (B) advantages (C) both a & b (D) none of these

51. Cost Accountancy is the science, art andof a cost accountant.
(A) Practice (B) exercise (C) hard work (D) effort
52. The ordinary trading account is a locked storehouse of most valuable information to which cost system is the.....
(A) Key (B) lock (C) house (D) none of these
53. Cost accounts deal partly with facts and figures and partly with.....
(A) costs (B) Estimates (C) income (D) revenue
54.process loss should be transferred to costing profit & loss account.
(A) Abnormal (B) normal (C) both a& b (D) none of these
55. The cost ofprocess loss is absorbed in the cost of production of good units.
(A) Abnormal (B) normal (C) both a & b (D) none of these
56. In inter process profits, the output of one process is transferred from one process to another not atbut at
(A) Market price, actual cost (B) Actual cost, market price
(C) both a& b (D) none of these
57. Where actual loss in a process is less than the anticipated loss, the difference between the two is considered to be
(A) Abnormal loss (B) normal loss (C) abnormal gain (D) normal gain
58. In process costing, the abnormal loss is treated ascost and written off to profit & loss account.
(A) Unit (B) period (C) future (D) process
59. The process costing is not used in one of the following.
(A) Chemical (B) textiles (C) cement (D) oil refining
60.arises where the actual process loss is less than the normal predetermined process loss.
(A) Normal loss (B) abnormal loss
(C) abnormal gain (D) none of these
61. An input of 5000kg of material introduced into the process and the expected loss is 8% and if the actual output from the process is 4300, the abnormal loss iskg
(A) 400 (B) 600 (C) 500 (D) 300
62. Budgeting system.....key managerial functions.
(A) Dismisses (B) integrates
(C) discharges (D) none of these
63.is a budget which is updated continuously by adding a further period (a month/quarter) and deducting a corresponding earlier period.
(A) Rolling budget (B) continuous budget
(C) annual budget (D) both a & b
64. When the cost incurred on recruiting, training and developing the employees is considered for determining the value of employees, it is called
a. the replacement cost approach b. the historical cost approach
c. the opportunity cost approach d. none of the above
65. The opportunity cost approach in human resource accounting was introduced by

a. Hekimian and Jones
c. Eric G. Flamholtz

b. Rensis Likert
d. William C. Pyle

66. The aggregate payment approach in human resource accounting was developed by
a. Myers and Flowers
c. S. K. Chakraborty

b. Hermanson
d. none of the above

67. The value of human resources is the function of the average salary of the employees and their average employment tenure in the organization. This is the essence of the
a. aggregate payment model
c. causal, intervening and end-result model

b. five-dimensional model
d. unpurchased goodwill model

68. Fixing the value of an employee depending upon his productivity, promotability transferability and retainability is the core of the
a. certainty equivalent model
c. human asset multiplier model

b. stochastic reward valuation model
d. present value of future earnings model

69. The convergence of the Indian Accounting Standards with IFRS began in —
a. Dec-11
b. Apr-11

c. Apr-10
d. Aug-09

70. The global key professional accounting body is —
a. The International Accounting Standards Committee
b. The Institute of Chartered Accountants of India
c. The Financial Accounting Standards Board
d. The International Accounting Standards Board

71. The original cost at which an asset or liability is acquired is known as —
a. replacement cost
c. historical cost

b. amortization
d. carrying cost

72. The International Accounting Standards Committee was set up in —
a. 1967
b. 2009

c. 1982
d. 1976

73. The process of converting foreign-subsidiary financial statements into the home currency is known as —
a. transmission
b. translation

c. consolidation
d. reconstruction

74. The accounting process in which the financial statements of a parent company and its subsidiaries are added together to yield a unified set of financial statements is called —
a. Consolidation
b. amortization

c. translation
d. amalgamation

75. A price on goods and services sold by one member of a corporate family to another, such as from a parent to its subsidiary in a foreign country, is known as —
a. arm's length price
b. export price
c. transfer price

d. import price

76. Triple bottom line accounting is also called —
a. full cost accounting
c. incremental costing

b. management accounting
d. historical accounting

77. Which of the following is not a tax haven?
a. England
c. Mauritius

b. Bermuda Islands
d. Cayman Islands

78. Accounting in India is governed by the —
a. Reserve Bank of India

b. Institute of Chartered Accountants of India

c. Income Tax Department

d. Company Law Board

79. Adoption means application of IFRS issued by IASB as it is in entirety. Convergence means using IFRS issued by IASB with some carve in and carve outs.

a) True

b) False

80. Companies covered in Phase I should have net worth

a) Equal to 500 crores

b) Equal and more than 500 crores

c) Less than 500 crores

d) more than 250 crores but less than 500 crores

81. Ind AS once adopted either voluntarily or mandatorily can not be revoked in prospective years even in case of net worth goes down from specified limit or any other criteria given in roadmap.

a) True

b) False

82. As part of Ind AS transition process, companies covered in first phase will have to prepare:

a) Opening Ind AS Balance sheet as at 1 April 2015.

b) Equity reconciliation b/w Ind AS and Indian GAAP on 1 April 2015 & 31 Mar 2016.

c) Income Reconciliation b/w Ind AS and Indian GAAP for the year ending 31 Mar 2016.

d) All of the above

83. As part of Ind AS transition process, companies covered in first phase will have to prepare:

a) Ind AS financial statements as at and for the year ending 31 Mar 2016 for comparative.

b) Ind AS Financial statements as at and for year ending 31 Mar 2017.

c) Equity reconciliation b/w Ind AS and Indian GAAP on 1 April 2015 & 31 Mar 2016.

d) All of the above

AUDITING

Q. 1. The main object of an audit is ____

a) Expression of opinion

b) Detection and Prevention of fraud and error

c) Both (a) and (b)

d) Depends on the type of audit

Ans. d) Depends on the type of audit.

Q. 2. The title of AAS2 issued by Council of ICAI is ____

a) Objective and Scope of the Financial Statements

b) Objective and Scope of the Audit of Financial Statements

c) Objective and Scope of Business of an Entity

d) Objective and Scope of Financial Statements Audit

Ans. b) Objective and Scope of the Audit of Financial Statements.

Q. 3. Which of the following is not true about opinion on financial statements?

a) The auditor should express an opinion on financial statements.

b) His opinion is no guarantee to future viability of business

c) He is responsible for detection and prevention of frauds and errors in financial statements

d) He should examine whether recognised accounting principle have been consistently

Ans. c) He is responsible for detection and prevention of frauds and errors in financial statements.

Q. 4. A sale of Rs. 50,000 to A was entered as a sale to B. This is an example of _

a) Error of omission

b) Error of commission

c) Compensating error

d) Error of principle

Ans. b) Error of commission.

- Q. 5. 'Goods sent on approval basis' have been recorded as 'Credit sales'. This is an example of _
- a) Error of principle
 - b) Error of commission
 - c) Error of omission
 - d) Error of duplication

Ans. a) Error of principle.

- Q. 6. Which of the following statements is not true?

- a) Management fraud is more difficult to detect than employee fraud
- b) Internal control system reduces the possibility of occurrence of employee fraud and management fraud
- c) The auditor's responsibility for detection and prevention of errors and frauds is similar.
- d) All statements are correct.

Ans. b) Internal control system reduces the possibility of occurrence of employee fraud and management fraud.

- Q. 7. As per AAS4 if auditor detects an error then –

- a) He should inform the management.
- b) He should communicate it to the management if it is material
- c) The auditor should ensure financial statements are adjusted for detected errors.
- d) Both (b) and (c)

Ans. d) Both (b) and (c).

- Q. 8. Which of the following is not a limitation of audit as per AAS4

- a) Objectivity of auditor's judgment
- b) Selective testing
- c) Persuasiveness of evidence
- d) Limitations of internal control system

Ans. a) Objectivity of auditor's judgment.

- Q. 9. How many principles are listed in AAS1 which govern auditor's professional obligation?

- a) Nine
- b) Fourteen
- c) Seven
- d) Eight

Ans. a) Nine.

- Q. 10. Both auditing and accounting are concerned with financial statements. Which of the following

- a) Auditing uses the theory of evidence to verify the financial information made available by Accountancy
- b) Auditing lends credibility dimension and quality dimension to the financial statements prepared by the accountant.
- c) Auditor should have through knowledge of accounting concepts and convention to enable him to express an opinion on financial statements
- d) All of the above.

Ans. b) Auditing lends credibility dimension and quality dimension to the financial statements prepared by the accountant.

11. This kind of audit is conducted generally between two annual audit ____.

- A. internal audit.
- B. interim audit.
- C. final audit.
- D. continuous audit.

ANSWER: B

12. Management audit otherwise called as ____.

- A. final audit.
- B. efficiency audit.
- C. cost audit.
- D. cash audit.

ANSWER: B

13. Before the work of audit is commenced, the auditor plans out the whole of audit work is called ____.

- A. Audit plan.
- B. Audit note.
- C. Audit programme.
- D. Audit programme.

ANSWER: D

14. Internal auditor is appointed by _____.

- A. the management.
- B. the shareholders
- C. the government.
- D. the statutory body.

ANSWER: A

15. Auditing begins where _____ ends.

- A. Selling.
- B. inventory valuation.
- C. Accounting.
- D. Purchases.

ANSWER: C

16. A kind of audit conducted for a part of the accounting year is called _____.

- A. Periodical audit.
- B. Partial audit.
- C. Cost audit.
- D. Interim audit.

ANSWER: A

17. Who among the following can be appointed as auditor of a company?

- A. A partner or a director of the company.
- B. A person of unsound mind.
- C. Mr. Y who owes Rs. 500 to the company.
- D. Mr. Z the holder of C.A certificate.

ANSWER: D

18. Auditing standards differ from auditing procedures in that procedures relate to _____.

- A. Measure of performance.
- B. Audit principles.
- C. Acts to be performed.
- D. Audit judgments.

ANSWER: C

19. Confirmation of the court is necessary for _____.

- A. increasing the share capital.
- B. . reduction of share capital.
- C. conversion of shares into stock.
- D. issue of new shares

ANSWER: B

20. Audit means _____.

- A. recording business transactions.
- B. preparing the final accounts.
- C. examination of books, accounts, vouchers etc.
- D. preparing final accounts.

ANSWER: C

21. Auditor shall report on the accounts examined by him _____.

- A. to the shareholders.
- B. to the court.
- C. to the bank.
- D. to the general public.

ANSWER: A

22. Purchase of machinery is a _____.

- A. revenue receipt.
- B. capital receipt.
- C. capital expenditure.
- D. revenue expenditure.

ANSWER: C

23. Of the following, which is the least persuasive type of audit evidence?

- a) Bank statements obtained from the client
- b) Documents obtained by auditor from third parties directly.
- c) Carbon copies of sales invoices inspected by the auditor
- d) Computations made by the auditor

24. Which of the following statements is, generally, correct about the reliability of audit evidence?

- a) To be reliable, evidence should conclusive rather than persuasive
- b) Effective internal control system provides reliable audit evidence
- c) Evidence obtained from outside sources routed through the client
- d) All are correct.

25. In an audit of financial statements, substantive tests are audit procedures that __
a) may be eliminated for an account balance under certain conditions
b) are designed to discover significant subsequent events
c) will increase proportionately when the auditor decreases the assessed level of control risk
d) may be test of transactions, test of balance and analytical procedures
26. The nature, timing and extent of substantive procedures is related to assessed level of control risk
a) randomly b) disproportionately c) directly d) inversely
27. Which of the following factors is most important in determining the appropriations of audit evidence?
a) The reliability of audit evidence and its relevance in meeting the audit objective
b) The objectivity and integrity of the auditor
c) The quantity of audit evidence
d) The independence of the source of evidence
28. When is evidential matter, generally, considered sufficient?
a) When it constitutes entire population
b) When it is enough to provide a basis for giving reasonable assurance regarding truthfulness
c) When it is objective and relevant
d) When auditor collects and evaluates it independently
29. Which of the following is not a corroborative evidence?
a) Minutes of meetings
b) Confirmations from debtors
c) Information gathered by auditor through observation
d) Worksheet supporting consolidated financial statements
30. Which of the following statements is not true with respect to management representations obtained as per AAS-11?
a) Authenticated copy of relevant minutes of meetings may be regarded as management representation
b) It should always be in working
c) It may be dated prior to the report date d) It should be addressed to the auditor
31. What would most appropriately describe the risk of incorrect rejection in terms of substantive testing?
a) The auditor concludes balance is materially correct when in actual fact it is not
b) The auditor concludes that the balance is materially misstated when in actual fact it not
c) The auditor has rejected an item for sample which was material
d) None of the above
32. Which of the following affects audit effectiveness?
a) Risk of over reliance b) Risk of incorrect rejection
c) Risk of incorrect acceptance d) Both (a) and (c)
33. What would most effectively describe the risk of incorrect acceptance in terms of substantive audit testing?
a) The auditor has ascertained that the balance is materially correct when in actual fact it is not
b) The auditor concludes the balance is materially misstated when in actual fact is not
c) The auditor has rejected an item from sample which was not supported by documentary evidence
d) He applies random sampling on data which is inaccurate and inconsistent
34. Which of the following Auditing Assurance Standard deals with Audit Planning?
a) AAS-7 b) AAS-8 c) AAS-9 d) AAS-3
35. Audit programme is prepared by

- a) the auditor
- b) the client
- c) the audit assistants
- d) the auditor and his audit assistants

36. The working papers which auditor prepares for financial statements audit are : _

- a) Evidence for audit conclusions
- b) Owned by the client
- c) Owned by the auditor
- d) Retained in auditor's office until a change in auditors

37. The quantity of audit working papers complied on engagement would most be affected by

- a) Management's integrity
- b) Auditor's experience and professional judgment
- c) Auditor's qualification
- d) Control risk

38. Which of the following best describes the primary purpose of audit programme preparation?

- a) To detect errors or fraud.
- b) To comply with GAAP
- c) To gather sufficient appropriate evidence
- d) To assess audit risk

39. Which of the following is not an advantage of the preparation of working paper?

- a) To provide a basis for review of audit work
- b) To provide a basis for subsequent audits
- c) To ensure audit work is being carried out as per programme
- d) To provide a guide for advising another client on similar issues

40. The auditor's permanent working paper file should not normally, include

- a) Extracts from client's bank statements
- b) Past year's financial statements
- c) Attorney's letters
- b) Debt agreements

41. For what minimum period should audit working papers be retained by audit firm?

- a) For the time period the entity remains a client of the audit firm.
- b) For a period of ten years
- c) For a period auditor opines them to be useful in servicing the client
- d) For the period the audit firm is in existence.

42. Which of the following factors would least likely affect the quantity and content of an auditor's working papers

- a) The assessed level of control risk
- b) The possibility of peer review
- c) The nature of auditor's report
- d) The content of management representation letter

43. Which of the following statement is true regarding an auditor's working papers?

- a) They document the level of independence maintained by the auditor
- b) They should be considered as the principle support for the auditor's report
- c) They should not contain details regarding weaknesses in the internal control system
- d) They help the auditor to monitor the effectiveness of the audit firm's quality control

44. Which of the following statement best describes the understanding with respect to ownership and custody of working papers prepared by an auditor?

- a) The working papers may be obtained by third parties when they appear to be relevant to issues raised in litigation
- b) The safe custody of working papers is the responsibility of client, if kept at his premises
- c) The working papers must be retained by an audit firm for a period of 10 years
- d) Successor auditors may have access to working papers of the predecessor auditors. The approval of client is not required.

45. The current file of the auditor's working papers, generally, should include

- a) a flowchart of the internal controls
- b) Organization charts
- c) a copy of financial statements
- d) copies of bond and debentures

46. Knowledge of the entity's business does not help the auditor to

- a) reduce inherent risk
- b) identify problem areas
- c) evaluate reasonableness of estimates
- d) evaluate appropriates of GAAP.

47. The main advantage of using statistical sampling techniques is that such techniques:

- a) Mathematically measure risk
- b) Eliminate the need for judgmental sampling
- c) Defines the values of tolerable error
- d) all of the them.

48. Which of the following methods of sample selection is least suitable for extrapolating results to the population?

- a) Systematic sampling
- b) Random sampling
- c) Haphazard sampling
- d) None

49. Who is responsible for the appointment of statutory auditor of a limited company?

- a) Directors of the company
- b) Members of the company
- c) The Central Government
- d) All of the above

50. Which of the following sections deal with qualifications of the auditor ?

- a) Section 226 (1) and section 226(2)
- b) Section 224 (1) and section 224 (2)
- c) Section 226 (3) and section 226(4)
- d) Section 224(3) & Sec.224

51. Which of the following statement is not true?

- a) A partnership firm can be appointed as a statutory auditor of limited company
- b) Appointment can be made in the name of the firm
- c) Majority of the partners should be practicing in India
- d) All partners should be chartered accountants

52. As per the requirements of section 226(3) and 226(4) a person is disqualified from being appointed as a statutory auditor if he holds

- a) Equity shares or debentures of the company
- b) Equity shares carrying voting of the company
- c) Shares carrying voting rights of the company
- d) Security carrying voting rights of the company

53. The board of directors shall appoint first auditor of a company

- a) With in one month of completion of capital subscription state of the company
- b) With in one month of the promotion of the company
- c) With in one month of the commencement of the business of the company

d) With in one month of incorporation of the company

54. The term of the auditor ship of first auditor would be from the date of appointment till__

- a) the conclusion of statutory meeting
- b) the conclusion of first annual general meeting
- c) the conclusion of next annual general meeting
- d) the date of removal

55. In case the directions fail to appoint first auditor (s), the shareholders shall appoint them at.....by passing a resolution

- a) a general meeting
- b) first annual general meeting
- c) statutory meeting
- d) annual general meeting

56. Life Insurance Corporation of India holds twenty five percent of subscribed capital of XYZ Ltd. The appointment of statutory auditor in XYZ Ltd. Would be by__

- a) ordinary resolution
- b) special resolution
- c) (a) or (b)
- d) none of the above

57. ICICI prudential, a life insurance company, holds thirty-two percent of subscribed share capital of Delta Ltd. The statutory auditor of Delta Ltd. would be appointed by__

- a) ordinary resolution
- b) Special resolution
- c) either of the above
- d) none

58. Which of the following statement is not true regarding appointment of statutory auditor by the Central Government?

- a) Such powers have been conferred upon it by section 224(3)
- b) If a company fails to appoint an auditor at a general meeting
- c) If an auditor refuses to accept appointment, the powers of the Central Government can be exercised.
- d) None of the above

59. If a casual vacancy in the office of auditor arises by his resignation it should only be filled by the company in a.....

- a) Board meeting
- b) Extraordinary general meeting
- c) General meeting
- d) annual general meeting

60. For the purposes of section 224(IB) the number of partners of a firm which shall be taken into account would be as on the date of _

- a) completion of audit
- b) auditor's report
- c) acceptance of audit
- d) Starting of audit work

61. Which of the following is counted for the purposes of section 224(IB) the number of partners of a firm which shall be taken into account would be as on the data of __

- a) Joint audit
- b) Audit to non-profit companies
- c) Audit of unlimited companies
- d) All of the above
- e) (a) and (b) only

62. Mr. Narayan, a Chartered Accountant, has nineteen audits, Out of following audits which audits should he accept to ensure he doesn't violate provisions of section 224(IB) __

- a) Audit of Zeba Ltd. a private company
- b) Audit of branch of Pointec Ltd. a foreign company
- c) Audit of two branches of Virtue Ltd. an Indian company
- d) All of them

63. Which audit out of the following would not be regarded as one audit for the purposes of section 224(IB)?

- a) Audit of one branch each of two different companies

- b) Joint audit
- c) Audit head office & branches
- d) Audit of one or more branches of a company

64. The auditor of a Government company is appointed by the C & AG. His remuneration is fixed by__

- a) the C & AG
- b) the shareholders
- c) the shareholders at an annual general meeting
- d) the board of directors

65. The section which contains provisions regarding remuneration of the auditor is_

- a) Section 224(9)
- b) Section 224(7)
- c) Section 224(8)
- d) Section 224(6)

66. The authority to remove the first auditor before the expiry of term is with_

- a) the shareholders in a general meeting
- b) the shareholders in the first annual General meeting
- c) the board of directors
- d) the Central Government

67. Which of the following statements is not correct regarding removal of first auditor before expiry of the term?

- a) He is removed at a general meeting
- b) The shareholders are authorized to do so
- c) The approval of the Central Government is required for such removal
- d) The provisions for such removal are contained in section 224(7)

68. The retiring auditor does not have a right to__

- a) make written representations
- b) get his representations circulated.
- c) be heard at the meeting
- d) speak as a member of the company

69. Who out of the following cannot be appointed as a statutory auditor of the company?

- a) Erstwhile director
- b) Internal auditor
- c) Relative of a director
- d) Only (b) and (c)

70. A statutory auditor has a right of access at all times to

- a) Books and accounts of a company
- b) Books, accounts and documents of the company
- c) Books, accounts and vouchers of the company
- d) Notices and documents of the company

71. The auditor has a right to

- a) Obtain information and explanation
- b) Obtain information and explanation from the employees and officers
- c) Obtain information and explanation necessary for the purpose of audit
- d) Both (b) and (c)

72. The principal auditor, as per clarification issued by the ICAI, does not have any right to

- a) Inspect working papers of the branch auditor
- b) Visit branches
- c) Seek information necessary for audit purposes
- d) Incorporate the branch audit report in his audit report

73. Under which of the following section auditor has a duty to enquire into six specified matters and report by exception?

- a) Section 227(4A) b) Section 227 (IA)
c) Section 227 (2) d) Section 227(3)

74. The auditor has to enquire, under section 227 (IA) into different aspects, related to shares allotted for cash for the purpose of auditor include

- a) Shares against whose allotment cash has actually been received
- b) Shares allotted for consideration other than cash
- c) Shares allotted against a debt payable
- d) All of them

75. Right to visit branches has been given to the auditor under which section?

- a) Section 222(3) b) Section 228(2)
c) Section 228(4) d) Section 228(3)

76. Which of the following statements with regard to rules regarding exemption from branch audit is not true?

- a) A branch office of a company can be granted exemption on the basis of quantum of activity criterion
- b) If a satisfactory arrangement of scrutiny check of the books of account of a branch office of a manufacturing company has been made, it can be exempted from branch audit
- c) Cost consideration should be considered as an important factor/ground for exemption from branch audit
- d) The auditor should state in his audit report that branch office is exempted by virtue of quantum of activity or any other basis

77. The branch auditor is appointed by –

- a) Shareholders in an annual general meeting
b) Shareholders in general meeting
c) Board of directors in board meeting
d) Any of the above

78. Auditor of acompany does not have right to visit foreign branches of the company

- a) Unlimited liability
b) Manufacturing
c) Banking
d) Non-profit making

79. As per C & AG Act, 1971 the tenure of the Comptroller and Auditor General isYears

- a) Four b) five c) six d) seven

80. The part of Government Audit which is concerned with examining whether the money has been spent for the purpose specified in Appropriation Act is called.

- a) audit of sanctions
b) audit of provision of funds
c) audit of rules and orders
d) audit of financial propriety

81. Audit of transaction does not include –

- a) Propriety audit b) efficiency –cum performance audit
c) audit of receipts d) audit of expenditure

81. The income Tax Department has sent Mr. X double refund of advance tax. The Government Auditor detected this while conducting

- a) audit of expenditure
- b) performance audit
- c) audit of stores and stock
- d) **audit of receipts**

82. Audit of debt, deposits and remittances does not cover

- a) audit of borrowings b) audit of amortization of debt
c) audit of sanctions d) remittance audit

83. A state Government spent rupees fifty lakhs on renovation of Raj Bhavan' for its Governor. In the C & AG's opinion, this expenditure was more than what occasion demanded? It is an example of –

- a) Propriety audit b) Performance audit
c) Audit against provision of funds d) None of the above

84. Audit reports on PSU are

- a) submitted to the President/Governor for being laid before the parliament
b) sent to concerned ministries/departments
c) Submitted to BOD of concerned PSU
d) Any of the above

85. The C & AG, some years ago, gave adverse comments on expenditure incurred on buying coffins for soldiers killed in a war. In his opinion, the coffins cases imported could have been replace with less expensive, domestically produced ones. This is an aspect of –

- a) Audit of sanctions
b) Audit of stores and stocks
c) Propriety audit
d) Both (b) and (c)

86. Who among the following is eligible to be appointed as an audit of Government Company?

- a) A chartered accountant in practice
- b) A chartered accountant whether in practice or not
- c) An auditor appointed by the C & AG
- d) Any of the above

87. The statutory auditor of a Government Company submits his report to_

- a) the BODs of the company
b) the C & AG
c) the Legislature
d) the company secretary

POINTS TO REMEMBER

- International accounting standard committee (IASC) who renamed as Informational financial reporting board set up in 1973 on 23rd June.
- Institute of Chartered Accountant of India on 21st April 1977 set up the Accounting Standard board.
- Accounting standard are a set of guidelines i.e. Generally Accepted Accounting principles issued by accounting body of country.
- Accounting standard as a code of conduct imposed on an accountant by custom, law & professional body.
- Accounting principles+ concepts+ accounting conventions commonly known as GAAP
- (Generally accepted accounting principles) on the basis of which financial statements are to be prepared.
- Principles of accounting are the general law or rule adopted or proposed as a guide to action, a settled ground or basis of conduct or practices.
- Accounting concepts are the basic assumptions of fundamental propositions within which accounting operates.

Concepts are as follows-

1) Going concern- according to this it is assumed that business shall continue for a foreseeable period and there is no intention to close the business or scale down its operations. It is because of this concept that a distinction between capital & revenue expenditure.

2) **Consistency assumptions-** accounting practices once selected and adopted should be applied consistency year after year. Change if law or accounting standard requires, straight line method and written down value method.

3) Accrual assumptions- A transactions are recorded in the books of accounts at the time when it is entered into and not when the settlement takes place. Thus revenue is recognized when it is realized. The concept is particularly important because it recognizes the assets, liabilities, income and expenses as and when transactions relating to it are entered into.

4) Accounting entity or business entity- according to business entity principle business is considered too be separate and distinct from its owners. Business transactions therefore are recorded in the books of accounts from the business point of view and not from that of the owners. The accounting entity principle is a useful principle as from it responsibility accounting has developed.

5) Money measurement principle- According to the money measurement principle, transactions and events that can be measured in money terms are recognized in the books of accounts of the enterprise. Money is the common denominator in recording & reporting all the transactions.

6) Accounting period principle- According to accounting period principle the life of an enterprise is broken into smaller periods so that its performance is measured at regular intervals. The life of the enterprise is broken into smaller periods which are termed as accounting period. An accounting period is the interval of time at the end of which income statement (P & l account or statement of profit & loss in the case of a companies and balance sheet are prepared to know the result and resources of the business.

7) Full disclosure principle - there should be complete and understandable reporting on the financial statement of all significant information relating to the economic affairs of the entity. Good accounting practice requires all material and significant information to be disclosed. Reason for low turnover should be disclosed.

8) Materiality concept - It refers to the relative importance of an item or an event. An item should be regarded as material if there is a reason to believe that knowledge of it would influence the decision of an informed investors.

9) Prudence or conservatism principle- Do not anticipate a profit but provide for all possible losses. It takes into consideration all prospective losses but not the prospective profit. The financial statement present a realistic picture of the state of affairs of the enterprise and do not paint a better picture than what it actually is conservatism does not record anticipated revenue but provide all anticipated expenses & losses. It may be used to create secret reserve.

10) Cost concept or historical concept- According to this asset is recorded in the books of accounts at the price paid to acquire it and the cost is the basis for all subsequent accounting of the assets should be shown in the book of accounts at its book value. Cost concept brings objectivity in the preparation and presentation of financial statements. They are not influenced by the personal bias or judgement.

11) Matching concept - It is necessary to match revenues of the period with the expenses of that period to determine correct profit or loss for the accounting period. As per this concept adjustments are made for all outstanding expenses, prepaid expenses, accrued income, unearned income. The expenses for an accounting period are matched against related revenues rather than cash received & cash paid.

12) Dual concept or duality- The transactions entered into by an enterprise has two aspects a debit and a credit of equal amount. For every debit there is a credit of equal amount in one or more accounts. Capital = assets.

13) Revenue recognition concept- Revenue is considered to have been realized when a transactions has been entered into and the obligation to receive the amount has been established.

Verifiable objective concept- It holds that accounting should be free from personal bias. It means all accounting transactions should be evidenced and supported by business documents. These supporting documents are cash memo, invoices, sales bills etc and they provide the basis for accounting & audit.

CAPITAL AND REVEUNE EXPENDITURE

Capital expenditure- It results in addition to an asset accident expenditure incurred for improving and extending an existing asset is called capital expenditure. It makes an asset more valuable & increase their liability. Money spent on repairs to increase the life of an asset.

Examples of capital expenditure are as follows- 1) Purchase of machinery 2) Purchase of land 3) Cost of making additions to building 4) Enlarging the seating accommodation of a college hall 5) Interest on capital paid during the period of construction 6) Expenditure in connection with or incidental to the purchase or installation of an asset. 7) Additions and extensions to existing assets. 8) Interest and financing charges paid, brokerage and commission paid.

Revenue expenditure – A revenue expenditure is one that result in addition to an expense account. Revenue expenditures do not increase the earning capacity of the asset nor prolong is estimated useful life but represent normal maintenance cost. Incurred in one period of the accounting the full benefit of which is enjoyed in that period only. It includes all expenses which arise in normal course of business.

Examples are selling and distribution expenses incurred for sale of finished goods e.g. sales office expenses, delivery expenses & advertisement expenses.

Compensating error- when one mistake nullifies the wrong effect of another it is called a compensating error. These are two or more error in number and balance each other. These are generally arithmetical error.

Error of principle- These are error arising from not observing the accounting principles correctly eg wages paid for installation of machinery debited to wages a/c, purchase of fixed assets on credit recorded in purchase journal. These error will not affect the trial balance.

Some important types of Accounting –

- 1) **Inflation accounting-** Inflation rate is the percentage of change in the price level from the previous period. Inflation a/c is to correct the conventional historical cost accounts for the understatement of inventory and plant used in production i.e the cost of goods sold & depreciation in order to prevent erosion of capital during inflation.
- 2) **Human resource accounting** – It is basically an information system that tells management what changes are occurring over time to the human resources of the business.
- 3) **Social Accounting-** social accounting and audit is a framework which allows an organization to build on existing documentation and reporting and develop a process whereby it can account for its social performance and draw up an action plan to improve on that performance and through which it can understand its impact on the community and be accountable to its key stakeholders.
- 4) **Responsibility accounting-** The framework of responsibility accounting was developed by Prof. AJE Sorgdrager titled particularization of Indirect cost. Responsibility accounting is a method of budgeting and performance reporting created around the structure of the organization. It is designing the accounting system according to answerability of the managers also called profitability account and activity account.

RATIO ANALYSIS

- Relationship between two figures expressed in arithmetical terms is called a ratio.
- Relationship between two or more variables.

Main objectives of ratio analysis are as follows- 1) Liquidity 2) Leverage/solvency (strength of the firm) 3) Activity ratio (efficiency of assets) 4) Profitability (profit of the firm) 1) Liquidity ratio – ability of firm to meet its current liabilities.

Short term solvency

- It includes 3 ratio's 1-current ratio. 2-liquid ratio. 3-working capital ratio.
- Current ratio shows relationship between current assets and current liabilities.

- Its ideal ratio 2:1
- It is susceptible to window dressing
- Current ratio = current assets/ current liabilities
- Acid test/ quick ratio / liquid ratio – whether the firm is in a position to pay its current liabilities within a month or immediately.
- Most rigorous test of liquidity
- Ideal ratio 1:1
- Quick ratio = liquid assets/ current liabilities
- Liquid assets include all current assets except stock and prepaid expenses.

Net working capital ratio = current assets – current liabilities

LEVERAGE OR SOLVENCY RATIO (soundness of the long term financial policies of the firm)

1) Debt equity ratio – desirable 2:1 , relationship between long term loans and shareholders fund or net worth.

2) Total assets to debt ratio = total assets/ long term loans

3) Total assets includes all current as well as fixed assets and exclude all fictitious assets such as- preliminary expenses, underwriting commission, share issue expenses, discount on issue, debit balance of p & l account. 4) Proprietary ratio = equity/ total assets

ACTIVITY RATIO OR TURNOVER RATIO (it indicates the rapidity with which the resources available to the concern are being used to produce sales.

- ❖ Calculated on the basis of sales or cost of sales Inventory turnover ratio/ stock turnover ratio – relationship between cost of goods sold & average stock
- ❖ Cost of goods sold/ average stock
- ❖ Indicates whether stock has been efficiently used or not
- ❖ Shows the speed with which the stock is rotated into sales or number of times the stock is turned into sales during the year.
- ❖ Higher the ratio better it is
- ❖ Ratio can be used for comparing the efficiency of sales policies of two firms doing same type of business.
- ❖ Whose stock turnover is higher will be treated as more efficient.
- ❖ Debtor turnover ratio = net credit sales/ average debtors + average br
- ❖ Credit sales= total sales – cash sales
- ❖ Average collection period = number of days in year/ debtor turnover ratio
- ❖ Creditors turnover ratio/ payables turnover ratio= net credit purchase/ average creditors + average bills payable
- ❖ It indicates the speed with which the amount is being paid to creditors
- ❖ It increase the credit worthiness of the firm.
- ❖ Average payment period = 365 days / creditors turnover ratio
- ❖ Working capital turnover ratio= net sales/ working capital

PROFITABILITY RATIO/ INCOME RATIO

- ❖ The efficiency & success of a business can be measured with the help of profitability ratio.
- ❖ Gross profit ratio = gross profit/net sales *100
- ❖ Net sales= sales- sales return
- ❖ The margin of profit available on sales, higher the gross profit better it is.
- ❖ Operating profit- measures the proportion of an enterprise cost of sales & operating expenses.
- ❖ Operating profit= cost of goods sold + operating expenses/net sales* 100
- ❖ Gross profit= net sales- cost of goods sold
- ❖ Cost of goods sold= net sales- gross profit

- ❖ Operating expenses include office & administration expenses + selling & distribution expenses + discount + bad debt + interest on short term loans.
- ❖ Not included non- operating expenses such as loss on sales of assets, loss from fires, charities, donations, income tax.
- ❖ Lower operating ratio is better
- ❖ $\text{Net profit ratio} = \frac{\text{net profit}}{\text{net sales}} \times 100$
- ❖ $\text{Operating profit ratio} = \frac{\text{operating profit}}{\text{net sales}} \times 100$
- ❖ $\text{Operating profit} = \text{gross profit} - \text{operating expenses}$
- ❖ EPS (Earning per share) – its shows the overall profitability of a company.
- ❖ Earnings refer to profit available for equity shareholders.
- ❖ $\text{EPS} = \frac{\text{net profit (after tax, dividend on interest)}}{\text{no of equity shares}}$
- ❖ This ratio is helpful in the determination of the market price of equity share of the company.
- ❖ The capacity of the company to declare dividends on equity shares.

CASH FLOW STATEMENT

- ❖ It is a statement showing inflows (receipts) and outflows (payments) of cash during a particular period.
- ❖ The term cash here stands for cash & cash equivalent.
- ❖ It is also known as statement of changes in financial position.
- ❖ For past- cash flow, for future – cash budget.
- ❖ Cash flow statement prepared at the end of the year.
- ❖ It is useful for short term financial planning.
- ❖ Three activities are included in this- 1) operating activities 2) investing activities 3) financing activities.
- ❖ There is a possibility of window dressing in cash flow statement so fund flow statement presents a more realistic picture than a cash flow statement.
- ❖ It ignores the accrual concept It is of historical nature
- ❖ Format of cash flow statement (AS-3)

1) CASH FLOW FROM OPERATING ACTIVITIES

- ❖ Net profit before tax & extraordinary items
- ❖ Adjustment for depreciation, foreign exchange, loss on sale of fixed assets, gain on sale of fixed assets, interest paid, interest received, dividend received.
- ❖ Operating profit before working capital changes- ADD (+) decrease in current assets, increase in current liabilities. Sub (-) Increase in current assets, decrease in current liabilities.
- ❖ Cash generated from operating activities, Income tax paid
- ❖ Net cash from operating activities.

2) CASH FLOW FROM INVESTING ACTIVITIES

- ❖ Purchase of fixed assets
- ❖ Purchase of fixed assets
- ❖ Purchase of Investment
- ❖ Sale of Investment
- ❖ Interest received
- ❖ Dividend received
- ❖ Net cash from investing activities

3) CASH FLOW FROM FINANCING ACTIVITIES

- ❖ Proceeds from issue of share capital
- ❖ Proceeds from long term borrowings
- ❖ Repayment of long term borrowings
- ❖ Interest paid

- ❖ Dividend paid
- ❖ Net cash from financing activities

PRACTICE SETS

1. Consider the following statements:
 1. Sharing profits as a conclusive evidence of a partnership.
 2. A partner of a partnership firm is treated as an agent of the other partner.
 3. A third party cannot file a suit against an unregistered firm or its partners.Which of the above statements is true
 - a. Only 1
 - b. Only 3
 - c. 1, 2, and 3
 - d. 2 and 3
2. The maximum limit of partners in a firm has been specified by
 - a. The Indian Partnership Act 1932
 - b. The Indian Contract Act 1972
 - c. The Indian Companies Act 1956
 - d. The Consumer Protection Act 1985
3. Which of the following is not an example of partnership?
 - a. Sonu and Charu, co-owners, agree to conduct the business in common for profits
 - b. Four bus operators each having 10 buses combine by an agreement into one firm.
 - c. Kalpna and Vandana jointly own a boat which they use for rowing as business on Sundays and holidays and equally divide the earnings
 - d. Chandrika and Arpana form an association to which each contributes Rs 1000 annually. The purpose is to produce cloth for distributing free to war widows.
4. A partner who never takes active part in the conduct of the business of the firm, is known as
 - a. Nominal partner
 - b. Active partner
 - c. sleeping or dormant partner
 - d. sub-partner
5. Chetan starts a business under sole proprietorship and appoints Ketan as the manager of the business. Chetan used Ketan's name in the title of the firm with Ketan's permission. The business is carried on under the name Chetan-Ketan & Co. here Ketan will be treated as
 - a. Partner in profits only
 - b. Partner by estoppel or holding out
 - c. Sub-partner
 - d. Active partner
6. Dissolution of partnership must take place when
 - a. A partner misbehaves
 - b. A partner becomes of unsound mind
 - c. Business is running at a loss
 - d. A partner dies
7. Partner's current accounts are opened when their capital accounts are
 - a. Fixed
 - b. Fluctuating

- c. None of these
d. Semi permanent
8. The interest on the capital accounts of partners is credited to
a. Interest account
b. Partners capital account
c. Profit and loss account
d. None of the above
9. In the absence of an agreement to the contrary, the partners shall
a. Be paid salaries
b. Not be paid salaries
c. Be paid salaries but only to working partners
d. None of the above
10. A, B and C are partners sharing profits in equal ratio. Capital on 1st July 2014 are A Rs 20000, B Rs 10000 and C Rs 10000. Their private properties are A 15000, B 7000 and C 1500. What is the extent of their liability in the firm?
a. A Rs 40000; B Rs 30000; C Rs 20000
b. A Rs 15000; B Rs 22000; C Rs 20000. Their private properties are A Rs 15000, B Rs 7000 and C Rs 11500
c. A Rs 35000; B Rs 17000, C Rs 11500
d. Equal
11. The partnership deed provides for a salary of Rs 7000 per month to partner A. If A withdraws only Rs 5000 in a month, the remaining Rs 2000 is
a. Credited to profit and loss account
b. Credited to the current account of partner A
c. Credited to salary payable account
d. Debited to his capital account
12. A, B and C are partners in a firm. If D is to be admitted as a new partner
a. Old partnership has to be dissolved
b. Old firm has to be dissolved
c. Both old firm and partnership have to be dissolved
d. Neither firm nor partnership need to be dissolved
13. A is admitted as a nominal partner in a firm of P, Q and R. he can become a partner by:
a. Purchase of an interest from one or more of old partners
b. Contributing cash to the partnership firm
c. Contributing any other asset to the partnership
d. Not contributing any asset to the partnership firm
14. In the absence of an agreement to the contrary, partners share profits and losses in
a. The ratio of their capitals in the beginning of the year
b. The ratio of their capitals at the end of the year
c. The ratio of average capital
d. Equal ration

15. In the absence of an agreement to the contrary, the partners
- Are entitled for 6% interest on loans to the firm
 - Are entitled for 6% interest on loans to the firm, whether there are profit or not
 - Are not entitled for any interest on loans to the firm
 - Are entitled for 9% interest on loans, only when there are profits.
16. In the absence of an agreement to the contrary, the partners
- Are entitled 6% interest on their capitals, only when there are profits
 - Are entitled 9% interest on their capitals, only when there are profits.
 - Are entitled for interest on capital at the bank rate, only when there are profit.
 - Are not entitled for any interest on their capitals
17. In the absence of an agreement to the contrary
- An active partner is entitled for salary and sleeping partner for interest on capital @6% p.a
 - An active partner is entitled for salary and each partner for interest on capital @6% p.a
 - All partners are entitled for salary and interest on capital @6%
 - No partner is entitled for salary or interest on capital
18. When interest is to be allowed on the capital of the partner?
- Interest will be allowed even if there is a loss
 - Interest will be limited to the amount of profit
 - Interest will not be allowed if profits are not sufficient to pay off the full amount of interest
 - Interest payable will be accumulated to be paid in the future years, if there is a loss.
19. Which of the following is correct statement?
- A firm may not acquire a joint life policy on the life of the partners.
 - Retirement of a partner results in reconstruction of the firm
 - For past profit or reserves, the amount is not credited to all the partners in the old profit sharing ratio.
 - The amount of general reserve is transferred to partner's capital accounts in capital ratio.
20. The current account of a partner
- Will always have a credit balance
 - Will always have a debit balance
 - May have a debit balance or a credit balance
 - None of these
21. A and B are partners sharing profits in the ratio of 7:3. C was admitted on 3/7 share in the profits, the new profit sharing ratio of the partners will be
- A:B:C :: 14:6:15
 - A:B:C :: 7:6:7
 - A:B:C :: 7:3:3
 - A:B:C :: 5:3:3
22. A and B are partners in a firm, sharing profits in the ratio 3:2. They admit C as partner of 1/3 share in the profits of the firm. The new profit sharing ratio of A, B and C is
- 3: 2: 1
 - 3: 2: 2
 - 3: 2: 3

d. 6: 4: 5

23. K and L sharing profits in the ratio of 7:3 admit M on $\frac{3}{7}$ share in the new firm which he takes $\frac{2}{7}$ from K and $\frac{1}{7}$ from L. the new ratio of K, L and M will be

- a. 7:3:3 b. 4:2:3 c. 14:6:15 d. 29:11:30

24. A and B shared profits in the ratio of 7:3. C was admitted as a partner. A surrendered $\frac{1}{7}$ th of his share and B $\frac{1}{3}$ of his share in favour of C. the ratio of A, B and C will be

- a. 6: 2: 1 b. 6: 2: 2 c. 12: 2: 2 d. 14: 6 : 13

25. C, M and Y are partners in the ratio of $\frac{1}{2} : \frac{2}{5} : \frac{1}{10}$. What will be new ratio of the remaining partners if C retires:

- a. 2: 1 b. 4:1 c. 5:1 d. 3:1

26. P Q and R were partners in the ratio of $\frac{1}{5}$, $\frac{1}{3}$ and $\frac{7}{15}$ respectively. R retires and his share was taken up by P and Q in the ratio of 3:2. The new ratio of P and Q will be

- a. 13:12 b. 12:15 c. 12:13 d. 14:15

27. A B and C share profits and losses in the ratio of 6:5:3. D is admitted into partnership for $\frac{1}{8}$ th share. The sacrificing ratio of A B and C is

- a. Equal b. 6:5:3 c. $\frac{5}{14} : \frac{4}{14} : \frac{3}{14}$ d. none of these

28. P and Q are sharing profits in the ratio of 4:3. R joins and new ratio among P, Q and R will be is 7:4:3. The sacrificing ratio between P & Q.

- a. Equal b. 4:3 c. 2:2 d. 1:2

29. X Y and Z are partners and decide to share profits and losses in the ratio of their capitals. The capital on 1st Jan 2014 are Rs 10000, Rs 15000, and Rs 17000 for X Y and Z respectively. The current account balances on that date are 2000 (cr.) Rs 3000 (cr.) and Rs 1000 (cr) for X Y and Z respectively. The profit sharing ratio for X Y and Z will be

- a. 10:15:17 b. 12:18:18 c. 12:12:18 d. 2:3:1

30. On the death of a partner the amount of joint life policy should be credited to the capital account of

- a. Remaining partners in the new profit ratio
b. All partners including the deceased partner in their profit sharing ratio
c. Neither the deceased partner nor the remaining partners
d. None of the above

31. What account are debited and credited to record the division of net income among partners at the end of the accounting year?

- a. Profit and loss account Dr. Partners capital account Cr.
b. P&L account Dr. Partners current account Cr.
c. Partners current account Dr. Profit and loss Cr
d. None of the above

32. On the admission of a new partner the increase in the value of an asset is credited to

- a. P&L adjustment a/c

- b. Asset a/c
- c. Old partners capital a/c
- d. None of the above

ANSWER KEYS

1=D	2=C	3=D	4=C	5=B	6=D	7=A	8=B	9=B	10=C
11=B	12=A	13=D	14=D	15=B	16=D	17=D	18=B	19=B	20=C
21=A	22=D	23=D	24=B	25=B	26=C	27=B	28=D	29=A	30=B
31=A	32=A								

1. Manufacturing account is prepaid by
 - a. Pharma industry
 - b. Cement industry
 - c. Iron industry
 - d. All of the above
2. Which of the following is not an advantage of trading account?
 - a. The percentage of gross profit serves as a guide in fixing the selling price of the goods in future
 - b. The percentage of net profit on sales can be ascertained
 - c. The stock at commencement can be compared with the stock at end in order to ascertain whether the purchases have been wise
 - d. The trading account affords facilities for comparing the figures of sales and direct expenses with those of previous years.
3. Call in Arrears is shown in the balance sheet on the liability side
 - a. By deducting the amount from the called up capital
 - b. Under the heading Reserve and Surplus
 - c. By deducting the amount from the capital reserve
 - d. By deducting the amount from the share forfeited account
4. Unclaimed dividends is shown on the liability side of the balance sheet under the heading
 - a. Reserves and surplus
 - b. Provisions
 - c. Current liabilities
 - d. Miscellaneous items
5. Interest paid on debenture is shown in
 - a. The profit and loss account.
 - b. The profit and loss appropriation account
 - c. The balance sheet liability side under the heading current liabilities
 - d. The balance sheet by adding to the debentures account.
6. Carriage outwards are shown in the
 - a. Trading account
 - b. Profit and loss account
 - c. Balance sheet
 - d. None of the above

7. Match list-I with list-II and select the correct answer using the codes given below the lists

List-I (item of balance sheet of company)	List-II (Heading of balance sheet)
Aa a. profit prior to incorporation	1. Provisions
b. Proposed dividend	2. Misc expenditure
c. Interest paid out of capital	3. Current liabilities
d. Unclaimed dividend	4. Reserves and surplus

Codes:

	A	B	C	D
a.	4	1	3	2
b.	4	1	2	3
c.	1	4	2	3
d.	1	4	3	2

8. Match list -I with list- II and select the correct answer using the codes given below the lists:

List-I (item of balance sheet of company)	List -II (Heading of balance sheet)
a. Preliminary expenses	1. Current account
b. Other liabilities	2. Current asset
c. Loose tools	3. Misc. expenditure
d. Bill of exchange	4. Loan and advances

Codes

	A	B	C	D
a.	1	2	4	3
b.	3	2	1	4
c.	3	1	2	4
d.	3	1	4	2

9. Which of the following is a correct statement?

- A share certificate is conclusive evidence of its holders title to share
- A minor can be a shareholder
- Persons who got shares due to transmission have no right to cast vote
- Shares can be allotted by a company before its subscription is declared open

10. The paid up capital of Mukund Ltd is 1800000. The company decided to propose a dividend of 216000 out of current profit. How much of current profit is to be transferred to reserve?

- At least 2.5%
- At least 5%
- At least 10%
- None of the above

11. Assertion – contingent liabilities is included in the total of the liability side of the balance sheet of a company.

Reasoning – contingent liabilities are those which may or may not arise in future.

- a. Both assertion and reasoning are correct and reasoning correctly explains the assertion.
- b. Both assertion and reasoning are correct but reasoning does not explain the assertion correctly.
- c. Assertion is correct but reasoning is wrong.
- d. Assertion is wrong but reasoning is correct
- e. Both assertion as well as reasoning is wrong.

12. Which of the following is not a current liability in the balance sheet of a company?

- a. Loan from bank
- b. Acceptance
- c. Unclaimed dividend
- d. Interest accrued but not due on loan.

13. Which of the following is a revenue reserve?

- a. Capital reserve
- b. Capital redemption reserve
- c. Security premium account
- d. Debenture redemption reserve

14. Match list-I with listII and select the correct answer using the codes given below the lists:

List-I (item of balance sheet of company)	List-II (heading of balance sheet)
a. Sundry debtors	1. Fixed asset
b. Bills of exchange	2. Misc expenses
c. Live stock	3. Current assets
d. Shares issue expenses	4. Loans and advances

Codes:

	A	B	C	D
a.	3	4	2	1
b.	2	1	3	4
c.	1	2	3	4
d.	3	4	1	2

15. If the machinery purchased for Rs 30000 written down to Rs 18000 by writing off depreciation, is sold for Rs 35000. Then treatment of such profit in our book will be

- a. Profit of Rs 17000 (i.e 35000 – 18000) will be taken to P/L account.
- b. Profit of Rs 5000 (i.e 35000 – 30000) will be taken to p/l account
- c. Profit of Rs 5000 (i.e 35000 – 30000) will be taken to capital reserve and Rs 12000 (i.e 30000 – 18000) will be taken to p/l account
- d. Profit of Rs 17000 (i.e 35000 – 18000) will be taken as capital reserve and capital profit

16. Which of the following statement is correct?

- a. A company need not provide for depreciation if it does not want to declare dividends.
- b. Depreciation has to be provided for if dividends are to be declared
- c. The fact that depreciation has not been provided for together with the quantum of arrears of depreciation must be stated by way of notes.
- d. All of the above

17. Any capital profit or any appreciation in value of fixed assets may be distributed as dividend provided
- The revaluation of all the assets discloses a surplus
 - The profit has been realized in cash
 - The articles of company permit such a distribution
 - All of the above

18. Shares in Neha Ltd was acquired by Mr. Paras at a cost of Rs 50000. During the current p/y he got right to acquire fresh shares on the date of receiving the right entitlement intimation fair market value of existing shares held by Mr Paras was Rs 60000. Mr Paras sold the right paper for Rs 75000. His capital gains liability would be
- 10000
 - 75000
 - 25000
 - 15000

19. Unabsorbed scientific research Rs 76500 (revenue nature Rs 165000) can be carried forward for a maximum period of
- 6 years
 - 5 years
 - 4 years
 - 2 years

20. Profit before depreciation and the amount of depreciation of Jaipur Pvt Ltd for two years are

Year	Profit before depreciation	Depreication
2013-14	- 20000	15000
2014-15	100000	20000

The amount of divisible profit for the year 2014-15 is

- 65000
- 60000
- 85000
- 80000

21. Which of the following statement is correct:
- Dividend is to be paid within 30 days of declaration
 - Shareholders may declare a dividend smaller than recommended by board
 - They cannot declare a larger dividend or any dividend where none has been recommended
 - All of the above

22. According to the companies act 2013 a company may issue fully paid up bonus shares to its members out of
- Free reserves
 - Security premium account
 - Capital redumption reserve account
 - All of the above

23. The promotion stage of a company begins with the
- Conception of an idea about some business activities
 - Translation of the idea into a reality
 - Discovery and investigation of business opportunities
 - Planning and assembling of all resources

24. A company comes into existence only after its
- Registration
 - Promotion
 - Scrutiny of documents
 - Allotment of CIN

- 25.** Those fixed assets which lose their value because of use are called
- Fictitious assets
 - Intangible assets
 - Floating assets
 - Wasting assets
- 26.** Which of the following is not an intangible asset?
- Goodwill
 - Preliminary expenses
 - Patents rights
 - Copy rights
- 27.** Banks usually arrange their assets and liabilities in the
- Order of permanence
 - Order of liquidity
 - Order of incomes
 - Order of expenses
- 28.** Excise duty on goods manufactured in the country is debited to
- Trading account
 - Profit and loss account
 - Cash account
 - None of the above
- 29.** Income tax paid is debited to
- Trading account
 - Profit and loss account
 - Drawing account
 - Cash account
- 30.** Apprentice premium is credited to
- Trading account
 - Profit and loss account
 - Drawing account
 - None of the above
- 31.** Which of the following is not a correct statement?
- Balance sheet indicates the financial position of the business on a particular place
 - Balance sheet is prepared after the preparation of trading and profit and loss account
 - Assets represent debit balances in the ledger
 - Liabilities are shown on the left hand side of the balance sheet

ANSWER KEYS

1=D	2=B	3=A	4=C	5=A	6=B	7=B	8=C	9=A	10=A
11=D	12=A	13=C	14=D	15=C	16=D	17=D	18=B	19=C	20=A
21=D	22=D	23=A	24=A	25=D	26=B	27=B	28=A	29=C	30=B

31=A

1. Consider the following statements:

1. To know about the profitability, ownership, solvency, financial strength, trends, gearing and cover etc. is the main objective of financial analysis
2. Vertical financial analysis is also known as dynamic analysis.
3. Analysis done by CEO of the company is known as external financial analysis.

Which of the above statement is not true

- a. 1, 2 and 3
- b. 2 and 3
- c. only 1
- d. only 2

2. Match the following

List-I (Types of financial analysis)	List-II (main characteristics)
a. Dynamic analysis	1. Depends on published records.
b. Static analysis	2. Horizontal analysis
c. Internal analysis	3. Vertical analysis
d. External analysis	4. More confidential

Codes:

	A	B	C	D
a.	3	4	1	2
b.	2	3	4	1
c.	1	4	2	3
d.	4	2	1	3

Question 3-6 are based on the following data:

Capital structure of a company is 7% preference share Rs 1 each 60000

Ordinary shares Re 1 each 1600000

Profit after taxation @50% 542000

Ordinary dividend paid 20%

Depreciation Rs 120000

Market price of ordinary shares Rs 4

3. Calculate dividend yield on the ordinary shares

- a. 15%
- b. 10%
- c. 5%
- d. 2%

4. The cover for preference dividend is

- a. 13.4 times
- b. 12.9 times
- c. 11.7 times
- d. 10.9 times

5. The cover for ordinary dividend is

- a. 1.10 times
- b. 1.20 times
- c. 1.34 times
- d. 1.56 times

6. Earning yield is
a. 6.2 b. 7.8 c. 5.9 d. 9.3

Question 7-10 are based on the following data

Total assets employed 800000

½ of the assets are financed by a loan at an interest rate of 16% direct cost for the year 48000

Operating expenses 80000

Goods will be sold to customers at 150% of the direct cost

Income tax rate -50%

7. Calculate net profit margin
a. 3.6% b. 6.7 c. 15% d. 20%
8. What shall be the return on assets?
a. 5% b. 10% c. 14% d. 20%
9. Assets turnover is
a. 0.9 times b. 0.5 times c. 0.8 times d. 0.5 times
10. The interest paid during the year is
a. Rs 64000 b. 16000 c. 32000 d. 48000

Questions 11- 15 are based on the following data:

Equity 100000

Current debt to total debt ratio 0.40

Total debt to owners equity 0.60

Fixed assets to owners equity 0.60

Total assets turnover 2 times

Inventory turnover 8 times

11. The total is
a. 50000 b. 60000 c. 70000 d. 80000
12. Calculate the total amount of fixed assets
a. 50000 b. 60000 c. 70000 d. 80000
13. Total assets will be
a. 150000 b. 160000 c. 170000 d. 180000
14. Sales is

- a. 30000 b. 310000 c. 320000 d. 330000
- 15.** Inventory will be
a. 10000 b. 20000 c. 30000 d. 40000
- 16.** Which ratio is known as a complementary of net profit ratio?
a. Gross profit ratio
b. Operating profit ratio
c. Operating ratio
d. None of the above
- 17.** Operating costs include
a. Selling expenses
b. Administrative expenses
c. Financial charges
d. Direct labour cost
- 18.** Which current ratio is 2:1 an equal increase in current assets and current liabilities would
a. Increase the current ratio
b. Decrease the current ratio
c. Not change the current ratio
d. None of the above
- 19.** Which of the following is a satisfactory liquid or acid test ratio?
a. 2:1 b. 1:2 c. 1:1 d. none of the above
- 20.** Stock turnover ratio is calculated as
a. $\frac{\text{turnover at selling prices}}{\text{stock at cost}}$
b. Turnover at cost/stock at cost
c. Cost of goods sold/ average stock
d. Any of the above
- 21.** When the current ratio is 2:5 and the amount of current liabilities is Rs 50000. What is the amount of current assets?
a. 62500 b. 12500 c. 20000 d. none of the above
- 22.** When quick ratio is 1.5 :1 and the amount of quick assets Rs 9000. What is the amount of quick liabilities?
a. 60000 b. 50000 c. 45000 d. 30000
- 23.** Price earning ratio (PER) is calculated according to the following formula
a. Earning per share / market price per equity share
b. Market price per equity share / earning per share
c. Net profit tax and interest / no. of equity shares
d. None of the above

24. Which ratio is known as a complementary of pay-out ratio?
- Retained earning ratio
 - Dividend yield ratio
 - Debt service coverage ratio
 - None of the above
25. Current ratio is a
- Balance sheet ratio
 - Profit and loss ratio
 - Combined ratio
 - Activity ratio
26. Which of the following items is not taken into account while computing current ratio?
- Sundry creditors
 - Sundry debtors
 - Contingent liabilities
 - Bank overdraft
27. Which of the following items is not taken into account while computing quick ratio?
- Cash
 - Bank balance
 - Bank overdraft
 - Sundry creditors
28. When opening stock is Rs 50000, closing stock Rs 60000 and cost of goods sold Rs 220000 the stock turnover ratio is
- 2 times
 - 3 times
 - 4 times
 - 5 times
29. The most important test of long-term solvency of a business is
- Net profit / sales
 - Total assets / total outside liabilities
 - Debt / equity
 - None of the above
30. Which of the following items is not an operating expenses?
- Advertising
 - Depreciation of office equipment
 - General management salaries
 - Loss on the sale of motor car
31. Debtors turnover ratio is
- Credit sales / average debtors
 - Total sales / average debtors
 - Credit sales * days in the year / debtors
 - None of the above
32. When net sales for the year are Rs 500000 and debtors Rs 100000 the average collection period is
- 60 days
 - 45 days
 - 42 days
 - 72 days

33. Shareholders fund /total assets * 100 is a
- Liquidity ratio
 - Solvency ratio
 - Profitability ratio
 - Credibility ratio
34. A high stock turnover ratio does not mean that the company is
- Buying in small lots
 - Efficient and sells quickly
 - Buying in big lots and sells slowly
 - None of the above
35. Gross profit ratio is the ratio of
- Gross profit to net total sales
 - Gross profit to net credit sales
 - Gross profit to net cash sales
 - Gross profit to net capital sales
36. Net profit ratio is calculated by which of the following formula?
- $\text{Net profit} \times 100 / \text{total sales}$
 - $\text{Net profit} \times 100 / \text{total sales} - \text{sales returns}$
 - $\text{Net profit} \times 100 / \text{capital employed}$
 - None of the above
37. Given Fixed long term liabilities Rs 550000 fixed assets Rs 1200000 capital Rs 850000 current liabilities Rs 250000 current assets Rs 400000. Debt / equity ratio is
- 5:12
 - 5:16
 - 11:17
 - 3:7
38. If operating expenses is 75% then operating profit will be
- 25%
 - 100%
 - 50%
 - 175%
39. If the cost of goods sold is Rs 1 lakh the value of opening and closing stock is Rs 20000 and Rs 30000 respectively the stock turnover ratio will be
- 3.3 times
 - 4 times
 - 5 times
 - 2.3 times
40. Acid test ratio is equal to quick current assets divided by
- Current liabilities
 - Quick current liabilities
 - Non current liabilities
 - Contingent liabilities
41. Return on equity is obtained by dividing net profit (after tax) less preference divided by
- Equity capital
 - Current assets
 - Total capital
 - Equity capital minus preference capital

42. Gross capital employed is equal to
a. Fixed assets
b. Net current assets
c. Net fixed assets plus current assets
d. None of the above
43. When operating profit ratio 25% and capital turnover ratio 2%. What is the return on investment?
a. 75% b. 50% c. 25% d. none of the above
44. Charu ltd has a liquid ratio of 1:5. Its net working capital is Rs 120000 and its inventory is Rs 80000. The current assets are
a. 100000 b. 30000 c. 350000 d. 200000
45. If total current liabilities are increased but total current assets remain unchanged then the current ratio will
a. Improve b. decline c. no effect d. both A and B
46. If total shareholders funds are increased by the amount of shares capital issued but total long term debts remain unchanged, then the debt equity ratio will be
a. Decreased b. increased c. unchanged d. both A and B
47. Which of the following transaction change the current ratio?
a. Purchase of goods for cash
b. Plant acquire on account
c. Sold goods on credit
d. Debentures converted into equity capital
48. In calculating the return on shareholders fund the denominator is
a. Equity capital + reserves & surplus
b. Preference capital
c. Equity capital + preference capital
d. Equity capital + preference capital + reserves – losses
49. Net worth of business means
a. Equity capital
b. Total assets
c. Total assets – total liabilities
d. Fixed assets – current assets
50. When the operating ratio is 81.5 the ratio of operating profit to sales will be
a. 191.5 % b. 18.5% c. 181.5% d. none of the above
51. The profit figure to be taken into account for calculating return on shareholders equity is
a. Net profit after taxes
b. Net profit before taxes
c. Net profit before taxes and interest
d. None of the above

52. In calculating the earning per share the net profit is divided by
- Number of equity shares
 - Number of preference shares
 - Number of equity + preference shares
 - None of the above
53. In computing the return on capital employed the profit figure to be taken into account is
- Net profit after taxes + interest
 - Net profit after taxes and interest
 - Net profit after taxes interest and preference dividend
 - None of the above
54. Given share capital Rs 1000000 of shares of Rs 10 each net profit Rs 150000 preference dividend Rs 25000, taxes Rs 10000. What is EPS.
- Rs 1.50
 - Rs 1.25
 - Rs 1.15
 - none
55. When net profit is Rs 225000 taxes Rs 25000 and net worth Rs 1000000 what is the ratio of return on shareholders equity?
- 22.55%
 - 20%
 - 25%
 - cannot be calculated
56. The return on capital employed shows how will the management has used the funds supplied by
- Equity shareholders
 - Equity and preference shareholders
 - Shareholders and creditors
 - Debtors
57. Which accounting ratio will be useful in indicating the inability to pay interest?
- Debt equity ratio
 - Debt service coverage ratio
 - Interest coverage ratio
 - None of the above
58. Turnover ratios are also known as
- Profitability ratios
 - Solvency ratios
 - Financial ratios
 - Efficiency ratios
59. A shareholder who is examining his portfolio and who is to decide whether he should hold or sell his shares in a particular company. In this case, indicate the important accounting ratio that would be used
- Current ratio
 - Debt equity ratio
 - Earning per share
 - None of the above
60. Which accounting ratio will be useful in indicating the inability to pay dues to financial institutions?
- Debt equity ratio
 - Debt service coverage ratio

- c. Interest coverage ratio
- d. Debt collection period

61. Agarwal Brothers provide following dates

Total sales = 220000

S/R 20000

Gross profit 50000

Closing stock 60000

Excess of closing stock over opening stock = Rs 20000. What is the stock turnover ratio?

- a. 5 times b. 4 times c. 3 times d. 2 times

62. Given total assets 2000000

Tax 25000

Profit before tax 225000

Net worth 1000000

What is the return on equity

- a. 10% b. 12.5% c. 20% d. 25%

63. The immediate solvency ratio is

- a. Quick ratio
- b. Current ratio
- c. Stock turnover ratio
- d. Debtors turnover ratio

64. Pay out ratio means

- a. Ratio of debtors to creditors
- b. Ratio of earning that are distributed through dividend
- c. Ratio of profit distributed to profit retained
- d. None of the above

65. Current ratio is increased by

- a. Cash received from debtors
 - b. Issue of redeemable debentures
 - c. Selling the old machine for cash
 - d. Converting debentures into equity shares
- a. 1, 2, 3 b. 1 and 3 c. 1 and 3 d. 3 and 4

66. ROI is the ratio between

- a. Net profit and capital employed
- b. Investment and profit
- c. Turnover and capital employed
- d. Cost of capital and profit

67. Which of the following is an example of short term solvency ratio?

- a. Debt equity ratio

- b. Interest coverage ratio
- c. Current ratio
- d. Fixed assets turnover ratio

68. Leverage implies that

- a. The return on equity share capital exceeds the interest on borrowed capital
- b. The return on borrowed capital exceeds the return on equity share capital
- c. Both a and b
- d. None of the above

69. Total current assets are increased by Rs 50000 but total current liabilities remain unchanged. In this situation the current ratio will be

- a. Declined
- b. improved
- c. both A and B
- d. no effect

70. The most rigorous test of liquidity is

- a. Current ratio
- b. Acid test ratio
- c. Absolute measure
- d. Stock turnover ratio

71. Current ratio may be increased by

- a. Overstating current assets
- b. Overstating current liabilities
- c. Understating current assets
- d. B and C

72. ROE is computed as

- a. Net profit / sales
- b. Cost of sales / capital employed
- c. Net profit after tax and pref. dividend / share holders fund
- d. Operating net profit / shareholders funds

73. Given current ratio = 2:1

Net working capital = Rs 60000

What is the amount of current liabilities?

- a. 30000
- b. 60000
- c. 120000
- d. 90000

74. With the information given in above question what is the amount of current assets?

- a. 30000
- b. 60000
- c. 120000
- d. 90000

75. Given nominal value of share = Rs 10

No of shares issued 10000

Net profit after tax 20000

Dividend paid 10%

What is the EPS

- a. Rs 1 b. Rs 2 c. Rs d. Rs 2.5

76. With the information given in above question what is the pay out ratio?

- a. 10% b. 20% c. 40% d. 50%

77. A high pay out ratio indicates that

- a. Management is ploughing back profits
b. Management is not reinvesting profits
c. Company is earning high profits
d. Earning per share is high

78. Which of the following is not a correct statement?

- a. Debt equity ratio is a solvency ratio
b. Acid test denotes liquidity
c. Ratio analysis is a technique coordination
d. Composite ratios are known as inter statement ratios

79. When operating stock Rs 62000 purchase Rs 42000 sales Rs 600000 and rate of gross profit on cost 33.33% then the amount amount of closing stock is

- a. Rs 62000
b. Rs 32000
c. Rs 72000
d. Rs 42000

80. When quick ratio 3 current assets Rs 70000. Inventor Rs 10000, then the current liabilities will be

- a. Rs 40000 b. Rs 30000 c. Rs 20000 d. 10000

81. Collection of cash from debtors will cause the current ratio to

- a. Increase
b. Decrease
c. Have no effect
d. None of the above

82. Selling inventory on account will cause the quick ratio to

- a. Increase
b. Decrease
c. Have no effect
d. None of the above

83. Given

Cash = 5000

Total liquid assets = 40000

Stock = 20000

Current assets will be

- a. 60000 b. 40000 c. 20000 d. 65000

84. In computing debt or equity ratio, debt means

- a. Debentures as well as other long term loans
- b. Short term creditors
- c. Short term as well as long term creditors
- d. Term loans

85. In debt or equity ratio equity includes

- a. Only equity capital
- b. Equity and preference capital
- c. Equity and preference + reserves – losses
- d. None of the above

86. Which of the following assests are taken into account for current ratio?

- | | | | |
|------------|------------|---------------------|---------------------|
| 1. Stock | 2. Cash | 3. Work in progress | 4. Prepaid expenses |
| a. 1 and 2 | b. 2 and 3 | c. 1, 2 and 3 | d. all of the above |

87. Which of the following liabilities are taken into account for acid test ratio?

- | | | | |
|--------------------|-------------------------|------------|----------|
| 1. Trade creditors | 3. Cash credit | | |
| 2. Bank overdraft | 4. Outstanding expenses | | |
| a. 1 and 2 | b. 1 and 4 | c. 1 2 3 4 | d. 2 3 4 |

88. Given the following onformation

Debentures = 150000

Equity capital = 200000

General reserve = 9000

Accumulated profit = 60000

What os debt equity ratio?

- a. 3:4 b. 5:8 c. 15:29 d. 3:7

89. When fixed interest charge is Rs 50000 and interest coverage ratio is 10 times. What is thenet profit before intesest and tax?

- a. 5000 b. 5000000 c. 4500000 d. NOTA

90. Which of the following ratio indicates a favourable position if it is high?

- a. Inventory turnover ratio
- b. Capital turnover ratio
- c. Debtors turnover ratio
- d. All of the above

91. Which of the following ratio is a favourable indication if it is low?

- a. Operating ratio
- b. Operating profit ratio

- c. Inventory turnover ratio
- d. All of the above

92. Given stock turnover ratio = 8 times
Average stock = Rs 10000

Selling price 25% above cost

What is the amount of gross profit

- a. 2000
- b. 4000
- c. 20000
- d. 12000

93. Which of the following are non-operating incomes?

- 1. Sale of merchandise
- 2. Interest income
- 3. Dividend income
- 4. Profit on the sale of old assets

- a. 1 2 and 3
- b. 1 2 and 4
- c. 2 3 and 4
- d. 1 3 and 4

94. Gross profit may be increased by

- 1. Increasing selling price
- 2. Increasing cost of sales
- 3. Increasing sales of items with higher gross margin
- 4. Increasing sales by giving extra discounts

- a. 1 2 and 3
- b. 1 2 and 4
- c. 1 and 3
- d. 1 3 and 4

95. Given that current ratio is 2:1, if the net working capital is Rs 60000 then the amount of current liabilities would be

- a. Rs 30000
- b. Rs 60000
- c. Rs 120000
- d. Rs 90000

96. V kare P Ltd has an adverse current ratio. Which one of the following would improve this ratio?

- a. Sale of fixed assets for cash
- b. Collection of some of the current assets receivable
- c. Use of cash to pay off some long term debts
- d. Collection from sundary debtors

97. Sarvesh limited earns a net profit of Rs 200000 after tax during a certain financial period. Provision for taxation is Rs 200000 and income from investment is Rs 2000. Capital employed during the same period is Rs 1000000 return on capital employed is

- a. 10%
- b. 20%
- c. 38%
- d. 42%

98. Match list and list II and select the correct answer:

List-I	List II
A. Trading on equity	1. Earnings per share
B. Efficiency of inventory control	2. Liquidity ratio
C. Overall efficiency	3. Capital gearing
D. Immediate solvency	4. Stock turnover ratio

Codes:

- A
- B
- C
- D

- a. 2 1 4 3
- b. 3 4 1 2
- c. 3 1 4 2
- d. 2 4 1 3

99. Sonu ltd provided the following data for 2019
Current ratio = 2.5:1

Net working capital Rs 300000

Current assets and current liabilities of this firm are respectively:

- a. Rs 3000000 and Rs 150000
- b. Rs 500000 and Rs 200000
- c. Rs 500000 and Rs 100000
- d. Rs 300000 and Rs 100000

100. Match list I with list II

List-I

List-II

a. Leverage ratio	1. Liquidity position
b. Acid test	2. Efficiency of assets
c. Turnover ratio	3. Management of working capital
d. Current ratio	4. Debt and equity relationship

Codes:

- a. A B C D
- a. 4 1 3 2
- b. 2 4 1 3
- c. 2 3 1 4
- d. 4 1 2 3

ANSWER KEYS

1=B	2=B	3=C	4=B	5=D	6=B	7=B	8=C	9=A	10=A
11=B	12=B	13=B	14=C	15=D	16=C	17=D	18=B	19=C	20=C
21=C	22=A	23=B	24=A	25=A	26=C	27=C	28=C	29=C	30=D
31=A	32=D	33=B	34=C	35=A	36=B	37=C	38=A	39=B	40=B
41=A	42=C	43=B	44=D	45=B	46=A	47=B	48=D	49=C	50=B
51=A	52=A	53=A	54=C	55=B	56=C	57=C	58=D	59=C	60=B
61=C	62=C	63=A	64=B	65=B	66=A	67=C	68=A	69=B	70=C
71=A	72=C	73=B	74=C	75=B	76=D	77=B	78=C	79=B	80=C
81=C	82=A	83=A	84=A	85=C	86=D	87=B	88=D	89=D	90=D
91=A	92=C	93=C	94=C	95=B	96=A	97=B	98=B	99=B	100=D

1. Cash flow statement is prepared as per accounting standard
a. AS4 b. AS3 c. AS6 d. AS10
2. Which of the following is not an example of cash outflows?
a. Repayment of loans
b. Decrease in creditors
c. Payment of dividends
d. Issue of debentures
3. Depreciation is an example of
a. Direct expenses
b. Indirect expenses
c. Non-cash expenses
d. None of the above
4. Which of the following is not included in cash flow from financial activities?
a. Issue of shares
b. Payment of dividend
c. Received commission
d. Payment of interest
5. Which of the following items results in cash flows?
a. Issue of shares for cash
b. Transfer to general reserve
c. Goodwill written off
d. Salaries outstanding
6. Consider the following items
1. Sale of fixed assets
2. Repayment of loans
3. Repayment of tax
4. Issue of debentures
5. Preliminary expenses written off
6. Depreciation
Which of these items result in cash flows?
a. 2 3 4 5 b. 1 4 5 6 c. 1 2 3 4 d. 3 4 5 6
7. Consider the following items for a period:
1. Increase in debtors
2. Decrease in debtors
3. Increase in stock
4. Increase in prepaid expenses
5. Increase in outstanding expenses
Which of these items are added in net profit to compute cash from operations?
a. 1 3 4 b. 1 3 4 5 c. 2 5 d. 1 3 5
8. A cash flow
a. Increase total cash

- b. Increase cash equivalents
c. Increases cash but decreases cash equivalent
d. Increase both cash and cash equivalent
9. Which of the following is a false statement?
a. Cash flow statement discloses the complete story of cash movements
b. Cash flow statement helps in evaluating financial policies and cash position
c. Cash flow statement is useful for long term planning
d. Cash flow statement helps the management in determining policies regarding internal financial management
10. Cash payment to employees is a cash flow from
a. Operating activities
b. Investing activities
c. Financial activities
d. It is not a cash flow
11. Net profit during the year 2014-15 is Rs 2000000
Loss on sale of plant is Rs 100000
Profit on sale of furniture is Rs 4000
Depreciation is Rs 2000
Goodwill written off Rs 4000
What is the amount of cash from operation?
a. 17000 b. 29000 c. 23000 d. 33000
12. Profit during the year 2013-14 is Rs 20000. During the year there was increase in stock by Rs 9000 and decrease in debtors of Rs 5000. What is the amount of cash from operations?
a. 6000 b. 16000 c. 24000 d. 34000
13. Cash balance on 01-04-2014 was Rs 50000. During the year cash used in operation was Rs 7000. Issue of share capital Rs 20000 and purchase of building was for Rs 16000. What is the cash balance on 31-03-2014?
a. 47000 b. 61000 c. 53000 d. 21000
14. Which of the following is not a limitation of the cash flow statement?
a. Cash flow statement cannot replace the income statement
b. The cash balance as disclosed by the cash flow statement may not represent the real liquid position of the business
c. Cash flow statement is not a useful supplementary instrument
d. None of the above.
15. In a manufacturing company cash flows are as follows:
1. Cash paid to supplier of raw materials
2. Cash sales of goods

3. Payment of dividend
 4. Cash payment of salaries and wages
 5. Cash payment for purchase of furniture
 6. Interest paid on debentures
 7. Payment of income tax
 8. Cash proceeds from issuing shares at a premium
 9. Interest received on investments
 10. Interest received on investments
- Cash flows from operating activities are

- a. 1 2 3 6 b. 1 2 4 7 c. 1 2 7 8 d. 4 5 6 7

16. Of the items of cash flow given in above question which items relate to investing activities?

- a. 3 5 6 b. 3 6 8 9 10 c. 5 10 d. 5 6 8 9

17. Of the items of cash flow given in above question which items relate to financing activities?

- a. 3 6 8 9 b. 3 8 9 10 c. 5 6 8 9 d. 6 7 8 10

18. Which of the following is not a cash inflows?

- a. Purchase of fixed asset
- b. Sale of fixed asset
- c. Issue of debentures
- d. Cash flow business operations

19. The following is the position of current assets and current liabilities of Hind traders

2013	2014	
Debtors	20000	25000
Creditors	15000	17000
Bills payable	18000	20000
Stock	16000	26000

Loss incurred during the year was Rs 10000

What is the amount of cash from operations?

- a. 37000 b. 29000 c. 12000 d. 21000

20. Which of the following statements is correct?

- a. Cash flow statement is considered more useful for short term financial planning than a funds flow statement.
- b. Techniques of preparing cash flow statement and funds flow statement are the same.
- c. Preparation of cash flow statement is recommendatory while funds flow statements is mandatory
- d. Both cash flow and funds flow statements are based on accrual basis of accounting

21. Net profit during the year 2013-14 is Rs 3000 total sales are Rs 250000 and debtors at the end are Rs 12000. What is the cash from operations?

- a. 280000 b. 42000 c. 268000 d. 18000

22. When there is net profit which of the items are deducted from net profit to arrive at cash from operations?
- Increase in current assets
 - Decrease in current assets
 - Increase in current liabilities
 - All of the above
23. The term funds as used in funds flow statement means
- Cash
 - Current assets
 - Current liabilities
 - Current assets minus liabilities
24. Which of the following is not an example of sources of working capital?
- Sale of non-current assets
 - Funds from operations
 - Non-operating expenses
 - Non-operating incomes
25. Which of the following is not an advantage of funds flow statement?
- It helps in managing and utilizing the working capital
 - It is a tool of historical analysis
 - It considers the non-fund transactions
 - It enables the management to plan its future investments.
26. The flow of funds is said to have taken place when
- Cash is paid to creditors
 - Cash is received from debtors
 - Machinery is purchased for cash
 - All of the above
27. Current account include
- Cash and bank balance
 - Machinery
 - furniture
 - all of the above
28. Which of the following is a non-current asset?
- Debtors
 - Prepaid insurance
 - land
 - stock
29. Which of the following is a current liability
- Outstanding wages
 - Debentures
 - long term loans
 - share capital
30. Which of the following is a non-current liability?
- Bills payable
 - Sundry creditors
 - bank overdraft
 - long term loans

11=C	12=B	13=A	14=C	15=B	16=C	17=A	18=A	19=D	20=A
21=D	22=A	23=D	24=C	25=C	26=C	27=A	28=C	29=A	30=D

PRACTICE SET

- If accounting information is based on facts and it is verifiable by documents, it has the quality of
 - Relevance
 - Understandability
 - reliability
 - comparability
- Which of the following practices is not in consonance with the convention of conservatism?
 - Creating provision for bad debts
 - Creating provision for discount on creditors
 - Accounting principles represent inviolable laws fixed by a legal board
 - Accounting principles represent a consensus at a particular time to the recording of accounting transactions
- Which of the following statement is correct?
 - Accounting principles represent laws by the respective governments
 - Accounting principles represent laws fixed by accounting expert
 - Accounting principles represent inviolable laws fixed by a legal board
 - Accounting principles represent a consensus at a particular time to the recording of accounting transactions.
- Consider the following statements?
 - The entity concept of accounting is not applicable to sole trading concerns and partnership concerns.
 - Assets are to be shown in the balance sheet at their replacement cost on liquidation.
 - Money measurement concept takes into account changes in the value of monetary unit.
 - When a creditor is paid this results in decrease of one asset and a corresponding increase in other asset.
 Which of the statements given above are correct?
 - Both 1 and 2
 - both 2 and 3
 - both 3 and 4
 - none of the above
- As per revenue recognition concept, revenue is deemed to be realized
 - When purchase order is received from the purchaser
 - When goods are delivered to the purchaser
 - When the title of the goods has been transferred to the purchaser
 - When cash is received from the purchaser
- Which of the following is not an accounting concept?
 - Matching concepts
 - Dual aspect concept
 - true and fair concept
 - going concern concept
- Everything a firm owns, it also owes out to somebody. This co-incidence is explained by the _____ concept.
 - Dual aspect
 - Prudence
 - money measurement
 - revenue recognition

8. The basic concept related to profit and loss account is/are
a. realisation concept b. matching concept c. cost concept d. Both (a) and (b)
9. Which of the following accounting equations is not correct?
a. Assets - Liabilities = Equity
b. Assets - Equity = Liability
c. Asset + Liability = Equity
d. Liability + Equity = Assets
10. The term 'financial assets' includes all of the following except
a. technical knowledge
b. bank loan
c. lease obligations
d. shares, bonds and debentures
11. Assets which have a fixed content and the value of asset goes down as the contents are taken out are called
a. intangible assets
b. fictitious assets
c. wasting assets
d. floating assets
12. Under statement of closing work-in-progress in the period will
a. understate cost of goods manufactured in that period
b. overstate current assets
c. overstate gross profit from sales in that period
d. understate net income in that period
13. In case of a news agent, which of the following is a revenue receipt?
a. The proceeds of the sale of plant and equipment
b. Money received from insurance company as a result of crashing a delivery vehicle
c. A refund received from a supplier as compensation for damaged stock supplied
d. None of the above
14. Present liability of uncertain amount, which can be measured reliably by using a substantial degree of estimation is termed as '
a. liability b. contingent liability c. provision d. None of these
15. Expenditure, which result increase in the earning capacity of a business is
a. capital expenditure
b. revenue expenditure
c. deferred revenue expenditure
d. All of the above
16. Which of the following equation is correct?

- a. Gross profit = Net sales - Cost of goods sold
b. Gross profit = Sales + Closing stock - Opening stock – Purchase
c. Cost of goods sold + Gross profit = Sales
d. All of the above
- 17.** Fees paid to lawyer for drawing a purchase deed of land is which type of expenditure?
a. Capital expenditure
b. Revenue expenditure
c. Deferred revenue expenditure
d. None of the above
- 18.** Sale of an asset on credit at a price higher than written down value of the asset, would
a. leave owner's equity unaffected
b. increase owner's equity to the extent of less value
c. increase owner's equity: by the amount of sale
d. increase 'owner's equity to the extent of pmiit on sale
- 19.** Out of the following, which four expenditures would be recorded in the motor van account?
1. Cost ? 2,00,000
2. Registration Rs 5,000
3. Petrol Rs. 2,000
4. Salary to driver Rs 4,000
5. Writing the company name Rs. 3,500
6. Road tax paid (one time) Rs 4,500
Select the correct answer using codes given below:
- Codes
- a. 1,2,3and4 (b)1,2,5and6 (c) 1, 3, 5 and 6 (d) 1, 2, 3 and 5
- 20.** Where is the depreciation account appearing in the trial balance is shown?
a. Profit and Loss A/c
b. Liabilities side
c. Deducted from the concerned assets
d. All of the above
- 21.** Arrange the following in chronological order about assets as per liquidity order
1. Debtors 2. Building 3. Cash 4. Stock
Codes:
a. 2 3 1 4 b. 3 4 1 2 c. 1 4 2 3 d. 3 1 4 2
- 22.** Consider the following statements.
1. Inventory includes raw material, finished goods and goods in process
2. Inventory is the part of working capital
3. Inventory includes goods likely to be purchased in the coming months
Which of the statement given above is correct?
a. 1 and 2 b. 2 and 3 c. 1 and 3 d. all of the above

- 23.** Arrange the following items in the order of their appearance in the preparation of financial statements.
1. Net profit
 2. Gross profit
 3. Cash at bank
- Codes
- a. 1 2 3
 - b. 3 2 1
 - c. 2 1 3
 - d. 2 3 1
- 24.** Financial activities in a cash flow statement as per AS 7 do not include
- a. Issue of shares
 - b. buy back of shares
 - c. purchase of building
 - d. dividend paid
- 25.** AS 37 does not apply to contingent liability of
- a. Listed companies
 - b. Unlisted companies
 - c. small business
 - d. insurance companies
- 26.** Which one of the following is an investment activity as per AS 7?
- a. Redemption of debentures
 - b. Cash in hand
 - c. purchase of fixed assets
 - d. interest paid
- 27.** Which of the following are examples of cash flow from operating activities as per AS 7
1. Cash receipts from the sale of goods and the rendering of services.
 2. Cash receipts from disposal of intangible assets.
 3. Cash receipts from royalties, fees, commissions and other revenue.
 4. Cash payments to suppliers for goods and services.
 5. Cash proceeds from issuing shares or other similar instruments.
 6. Cash payments to and on behalf of employees.
- Select the correct answer using the codes given below:
- a. 1 3 4 6
 - b. 2 5 6
 - c. 1 2 3 4
 - d. 2 3 4 6
- 28.** Which of the following loan commitments are within the scope of IFRS 9?
- a. Loan commitments that can be settled net in cash or by delivering or issuing another financial instruments.
 - b. Commitment to provide a loan at a below market interest rate.
 - c. Loan commitment that the entity designates as financial liabilities at fair value through profit or loss
 - d. All of the above
- 29.** An entity issues shares as consideration for the purchase of inventory. The shares were issued on 1st January 2017. The inventory is eventually sold on 31st December 2018. The value of the inventory on 1st January 2017 was Rs 800000. The value was unchanged upto the date of sale. The sale proceed was Rs 1200000. The shares issued have a market value of Rs 900000. Which of the following statement correctly describes the accounting treatment of this shares based payment transaction?
- a. Equity is increased by Rs 800000 and inventory is increased by Rs 800000. The inventory value is expensed on sale on 31st December 2018.
 - b. Equity is increased by Rs 900000 inventory is increased by Rs 900000 the inventory value is expensed on sale on 31st December 2018.
 - c. Equity is increased by Rs 800000 and inventory is increased by Rs 800000, the inventory value is expensed over the two years to 31st December 2018.
 - d. Equity is increased by 900000 inventory is increased by 900000, the inventory value is expensed over the two years to 31st December 2018.

30. A company XYZ (parent co.) is required to present consolidated financial statements, except if it meets certain conditions. You need to identify those conditions from the following.

1. It is a subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about and do not object to, the parent not presenting consolidated financial statements.
 2. Its debt or equity instruments are not traded in a public market.
 3. Its ultimate or any intermediate parent produces Ind AS compliant consolidated financial statements available for public use.
- a. 1 3 b. 2 3 c. 1 2 d. all of these

31. A complete set of financial statements under Ind AS includes the following

1. Balance sheet at the end of the period
2. Statement of profit and loss for the period
3. Statement of changes in equity for the period
4. Statement of cash flow for the period
5. Balance sheet at the beginning of the preceding period.

Which statements given above are correct

- a. 1 2 4 b. 3 5 c. 2 3 5 d. all of the above

32. Which of the following parties cannot be granted shares or share option by the entity?

- a. Executive director
- b. Supplier of goods and services
- c. Chief accountant
- d. None of the above

33. IFRS 2 applies to share based payment transactions in which an entity ____ goods or services.

- a. Acquires c. Transfers
- b. Receives d. both a and b

34. Does IFRS 8 allow an entity to combine information about operating segments into one reportable segment?

- a. Yes, if the operating segment do not meet the quantitative thresholds
- b. Yes, if the operating segments share the majority of the aggregation criteria listed in the IFRS
- c. Yes, if the operating segments have similar economic characteristics
- d. All of the above.

35. After recognition, an entity applies

- a. Revaluation model to the exploration and evaluation assets
- b. Cost model to the exploration and evaluation assets
- c. Either a or b
- d. Both a and b

36. Which of the following types of information does Ind AS 107 not require to be disclosed about the significance of financial instruments?

- a. Fair value of financial instruments

- b. Carrying amounts of categories of financial instruments
- c. Information about the use of hedge accounting
- d. Information about financial instruments, contracts and obligations under share based payment transactions

- 37.** All the following are benefits of accounting standards except
- a. AS cannot override the statute
 - b. AS reduce to a reasonable extent confusing variations in the accounting treatment used to prepare financial statements
 - c. AS facilitates comparison of financial statements of companies
 - d. AS may call for disclosure beyond that required by law

- 38.** Which of the following transactions involving the issuance of shares does not come within the definition of a share based payment under Ind AS 102
- a. Employee share purchase plans
 - b. Employee share option plans
 - c. Share based payment relating to an acquisition of a subsidiary
 - d. Share appreciation rights

- 39.** The objective of hedge accounting is to represent, in the financial statements, the effect of an entity's _____ that use financial instruments to manage _____ arising from particular risks that could affect profit or loss.
- a. Risk management activities, exposures
 - b. Risk mitigation activities, credit losses
 - c. Risk diversification activities, credit concentration
 - d. Risk mitigation activities, credit exposures

- 40.** For equity settled share based payment transactions, the entity shall measure the goods or services received and the corresponding increase in equity, directly at the _____ of the goods or services received, unless that it cannot be estimated reliably.
- a. Amortised cost
 - b. Net book value
 - c. fair value
 - d. historical cost

- 41.** As per AS 11 construction contracts, costs that may be attributable to contract activity in general and can be allocated to specific contracts include
- 1. Insurance
 - 2. Freight
 - 3. Costs of design and technical assistance that is not directly related to a specific contract
 - 4. Manufacturing overheads
 - 5. Construction overheads

Select the correct answer using the codes given below

- a. 1 3 5
- b. 2 3 4
- c. 3 4 5
- d. 1 2 3

- 42.** What items of inventory are outside the scope of AS-2?
- 1. Work in progress arising under construction contracts
 - 2. Raw materials including maintenance supplies
 - 3. Share, debentures held as stock-in-trade.
 - 4. Machinery spares exclusively used with fixed assets.

Select the correct answer using the codes given below

- a. 1 3 4 b. 1 2 4 c. 2 3 4 d. all of these

43. As per AS 2 valuation of inventories, inventories are assets

1. Held for sale in the ordinary course of business
2. Held for sale in the special course of business
3. In the process of production for such sale
4. In the form of materials or supplies to be consumed in the production processor or in the rendering of services.
5. In the process of services for such sale.

Codes:

- a. 1 2 3 4 b. 1 4 5 c. 1 3 4 d. 2 4 5

44. As per AS-2 this standard should be applied in accounting for inventories other than

1. Work-in-progress arising under construction contracts, including directly related service contracts
2. Work-in-progress arising in the ordinary course of business of service providers.
3. Shares, debentures and other financial instruments held as stock-in-trade.
4. Producers inventories of livestock, agricultural and forest products and mineral oils, ores and gases to the extent that they are measures at net realizable value in accordance with well eataablished practices in those industries.
5. Work-in-progress arising in the special course of business of service providers

Codes:

- a. 1 2 3 b. 1 2 3 4 c. 2 3 4 5 d. 3 4 5

45. If an entity owns directly or indirectly more than 50% of voting rights, control is presumed unless clearly proven that it is not control. Sometimes control exists, even if there is less than 50% of voting rights exists. State which of the followings are expamles of control even if voting power is less than 50%.

- a. Power to govern financial and operating policies under statute.
- b. Power to remove or appoint majority members of BOD that controls the entity.
- c. Power to cost majority of votes at meetings of BOD that controls the entity.
- d. All of the above.

46. When the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented in

- a. Capital reserve account
- b. Profit or loss as a financing cost
- c. General reserve account
- d. None of the above

47. Human resource accounting is the measurement and reporting ____ and ____ of people in organizational resources.

- a. Benefit, opportunities c. contract, agreement
- b. Cost, value d. none of these

48. When the cost incurred on recruiting, training and developing the employees is considered for determining the value of employees it is called
- The opportunity cost approach
 - The historical cost approach
 - The replacement cost approach
 - The marginal cost approach
49. The value of HR is the function of the average salary of the employees and their average employment tensure in the organization. This is the essence of
- Five dimensional model
 - Unpurchased goodwill model
 - Aggregate payment model
 - Casual intervening and end result model
50. A _____ is used to reflect the changes in purchasing power of money or a whole
- General price index
 - Specific price index
 - Monetary value index
 - Discount factor index
51. Current cost accounting method attempted to match the current income against which cost?
- Past cost
 - Current cost
 - general cost
 - individual cost
52. Under CCA method, surplus or deficit due to change in value of assets and adjustment in profit and loss statement should be adjusted to
- General reserve account
 - Profit and loss statement
 - Revaluation reserve account
 - None of the above
53. When there is change in the value of rupee, it is said to be change in
- Over all price level
 - general price level
 - individual price level
 - discounting price level
54. Environmental accounting concept is applied on
- Cement industries
 - Steel industries
 - textile industries
 - all of these
55. Which of the following is the form of environmental accounting?
- Environmental management accounting
 - Environmental financial accounting
 - Environemental national accounting
 - All of these
56. Environmental management accounting focuses on

- Natural resource stock
- Environmental cost information
- Environmental liability costs
- None of the above

57. Segment environment accounting is the part of

- Environmental management accounting
- Environmental financial accounting
- Environmental national accounting
- None of the above

58. Which of the following statement are correct?

- The main purpose of any business is to earn profit
- If expenses exceed revenue then business is running loss
- Both a and b
- None of the above

59. Which of the following statement are correct?

- a. Dual aspect concept assumes an indefinite life of the entity
- b. In accounting, accrual basis is used for recording of transactions
- c. Both a and b
- d. None of the above

60. Which of the following are the methods of Human Resource Accounting?

- a. Capitalization of historical cost model
- b. Replacement cost model
- c. Present value of future earning model
- d. All of the above

61. Which method of HR accounting was developed by Lev and Schwartz?

- Capitalization of historical cost model
- Opportunity cost model
- Present value of future earning model
- Replacement cost model

62. Increasing trend in general price level is known as

- a. Depreciation c. profit
b. Inflation d. pricing

63. Statement I. if the going concern concept is no longer valid, then all prepaid assets would be completely written-off immediately.

Statement II. Also land held as an investment would be valued at its realizable value.

Codes:

- Both statements are correct
- Both statements are incorrect
- Statement I is correct but statement II is incorrect

- d. Statement I is incorrect but statement II is correct

64. Statement I. if an entity holds directly indirectly 50% or more of the voting power of the investee, it is presumed thus such entity has significant influence.

Statement II AS 24 deals with related party disclosures

Which of the following is correct?

- a. Only statement I is true
- b. Only statement II is true
- c. Both statements are true
- d. Both statements are false

65. Statement I IFRS are issued by international accounting standard board

Statement II IFRS 16 i.e leasing applies to annual reporting periods beginning on or after 1st January 2019

- a. Statement I is correct
- b. Only statement II is true
- c. Both statements are true
- d. Both statements are false

66. Statement I In the traditional accounting, assets are shown at cost year after year

Statement II the cost in inflation accounting represents the cost that prevails at the time of reporting

- a. Both statements are correct
- b. Both statements are incorrect
- c. Statement I is correct but statement II is incorrect
- d. Statement II is correct but statement I is incorrect

67. Statement I there are no standard methods for environmental accounting

Statement II Environmental accounting is applied to textile industries

- a. Statement I is true but statement II is false
- b. Statement I is false but statement II is true
- c. Both statements are true
- d. Both statements are false

68. Statement I capital expenditure benefits the current accounting period

Statement II capital expenditure will also benefit the next accounting period

- a. Both statements are correct
- b. Both statements are incorrect
- c. Statement I is correct but statement II is incorrect
- d. Statement I is incorrect but statement II is correct

69. Statement I the profit and loss account shows the financial results of the concern for a period

Statement II In profit and loss account indirect expenses are charged against the gross profit

- a. Both statements are correct
- b. Both statements are incorrect
- c. Statement I is correct but statement II is incorrect
- d. Statement I is incorrect but statement II is correct

Directions (Q. Nos 70-81) In the questions given are two statements labeled as Assertion (A) and Reason (R). In two context of two statements which one of the following is correct

- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are true but R is not the correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

70. Assertion A. accounting principles are not feasible
Reason R. accounting principles can be applied without under complexity or cost

71. Assertion. Accounting helps to provide information to various parties
Reason Accounting aims to meet the information needs of the decision makers

72. Assertion Legal fee paid to acquire any property is part of the cost of that property
Reason. Legal fee is incurred to possess the ownership right of that property and hence a capital expenditure

73. Assertion General reserve is created by appropriation of profits without any specific or particular purpose
Reason The aim of general reserve is to provide additional working capital or to strengthen the cash resources of the business

74. Assertion (A) Assets are to be shown in the balance sheet at the realizable value
Reason ® Balance sheet discloses financial position of the business

75. Assertion (A) fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services.
Reason Bank balance implies balance if funds held by bank on behalf of the company

76. Assertion Deferred revenue expenditures benefits lasts for more than one accounting period
Reason It is therefore written off during the periods over which the benefits lasts

77. Assertion A contingent asset is a possible asset that arises from past event
Reason The existence of it will be confirmed only by the occurrence or non occurrence of one or more certain future events wholly within the control of the enterprise

78. Assertion Computers taken on hire by a business for a period or 12 months is not an asset
Reason Computers are not owned by the business to be classified as an asset

79. Assertion Human resource accounting provides valuable information for persons interested in making long term investment in firm
Reason Human resource accounting is the process of identifying and measuring data about human resources and communicating this information to interested parties.

80. Assertion Human resource accounting may lead to dehumanization in the organization
Reason It is affected in case the valuation is not done correctly or the results of the valuation are not used properly

81. Assertion The human resource accounting is focused on return on knowledge rather than return on investment

Reason It is focused on the measurement of abilities of all the employees of the company, at every level to produce value from their knowledge and capabilities

82. Match the following

List-I	List-II
a. Capital is the difference between	1. Cost of goods sold from sales
b. Gross profit is ascertained by deduction	2. To find out cost of production
c. Wages paid for erecting machines are	3. Assets and liabilities
d. The manufacturing account is prepaid	4. Debited to machinery account

Codes:

	A	B	C	D
a.	4	3	2	1
b.	4	3	1	2
c.	3	4	1	2
d.	3	1	4	2

83. Match the following

List-I	List-II
a. Revenue means the income of a ____ nature	1. Fixed assets
b. Premium paid on the life insurance policy of the proprietor will be debited to ____ account	2. Regular
c. Going concern concept is relevant for	3. Matching
d. Recognition of cost in the same period as associated revenues is called ____ principles	4. drawings

Codes

	A	B	C	D
a.	4	3	2	1
b.	2	3	4	1
c.	2	1	4	3
d.	2	4	1	3

84. match the following

List-I	List-II
A. ____ concept is related to recognition of income	1. Rent
B. Trading account and profit and loss account are ____ statements	2. Relaisation
C. ____ is a tangible fixed assets	3. Periodic

D. Outstanding rent will be debited to ____ account	4. land
---	---------

Codes

	A	B	C	D
a.	2	3	4	1
b.	4	3	2	1
c.	2	1	4	3
d.	2	4	1	3

85. match the following

List-I	List-II
a. the document from which the returns to supplies are recorded is known as	1. assets
b. wages paid on erection of a new machinery should be debited to	2. debit note
c. prepaid expenses is an item of ____ -	3. credit note
d. the reciver of goods returned will send a ____ to the person who return the goods	4. machinery account

Codes

	A	B	C	D
a.	2	1	4	3
b.	4	1	2	3
c.	2	4	1	3
d.	4	3	1	2

86. match the following

List-I	List-II
a. the document related to slaes return is ____ note	1. business
b. bank rconciliation statement is prepared by the ____ enterprise	2. credit
c. purchases account will always have a ____ balance	3. cash
d. when the word paid occurs it means a reduction of ____	4. debit

Codes

	A	B	C	D
a.	4	3	2	1
b.	2	1	4	3

- c. 2 4 1 3
- d. 3 4 1 2

87. match the following

List-I	List-II
a. income is measured and financial position is assessed	1. consistency concept
b. anticipate no profit and provide for all possible losses	2. going concern concept
c. assets are depreciated on the basis of expected life rather than on the basis of market value	3. conservatism concept
d. the comparison of one accounting period with that in the past is possible	4. matching concept

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 4 | 3 | 2 | 1 |
| b. | 2 | 1 | 4 | 3 |
| c. | 4 | 3 | 1 | 2 |
| d. | 3 | 4 | 2 | 1 |

88. match the following

List-I	List-II
a. Ind AS 223	1. Impairment of assets
b. Ind AS 27	2. Borrowing cost
c. Ind AS 36	3. Agriculture
d. Ind AS 41	4. Separate financial statements

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 3 | 2 | 1 | 4 |
| b. | 2 | 4 | 1 | 3 |
| c. | 4 | 2 | 3 | 1 |
| d. | 1 | 2 | 3 | 4 |

89. Match the following

List-i	List-II
a. IFRS-3	1. Operating segments
b. IFRS 8	2. Leases

c. IFRS 9	3. Business combinations
d. IFRS 16	4. Financial instruments

Codes:

	A	B	C	D
a.	1	2	3	4
b.	2	4	1	3
c.	3	1	4	2
d.	4	3	2	1

ANSWER KEYS

1=C	2=B	3=D	4=D	5=C	6=C	7=A	8=D	9=C	10=A
11=C	12=D	13=C	14=C	15=A	16=D	17=A	18=D	19=B	20=C
21=B	22=A	23=C	24=C	25=D	26=C	27=A	28=D	29=A	30=D
31=D	32=D	33=D	34=D	35=C	36=D	37=A	38=C	39=A	40=C
41=A	42=A	43=C	44=B	45=D	46=B	47=B	48=B	49=C	50=A
51=B	52=C	53=B	54=D	55=D	56=B	57=A	58=A	59=A	60=D
61=C	62=B	63=D	64=B	65=C	66=A	67=C	68=A	69=B	70=A
71=B	72=A	73=A	74=B	75=B	76=A	77=C	78=D	79=A	80=A
81=A	82=D	83=D	84=A	85=C	86=B	87=A	88=B	89=C	

PRECIOUS YEAR QUESTIONS (2004-2019)

1. Match the item list I with the items of list II and choose the correct answer from the code given below:

List-I	List-II
A. AS-01	1. Accounting for fixed assets
B. AS 3	2. Disclosure of accounting policies
C. AS 10	3. Leases and its accounting
D. AS 19	4. Cash flow statements

Codes:

	A	B	C	D
a.	3	4	2	1
b.	1	2	3	4
c.	3	2	1	4
d.	3	1	4	2

2. Which of the following statement is correct

1. Tax shield on depreciation and interest is an important variable both for the lessor and the lessee
2. Lease transactions in India are governed by the lease act
3. A lessee should evaluate the lease options against the buying option
4. As per AS 19 financial lease is shown in the balance sheet of the lessee as an asset

- a. Both 1 and 4 b. 1 3 4 c. 2 3 4 d. 2

3. Assertion Personal transactions of the owners of the business are not recorded in the books.

Reason. according to the business entity concept, each business enterprise is considered as an accounting unit separate from owners.

- a. Both A and R are correct and R is the correct explanation of A
 b. Both A and R are correct but R is not the correct explanation of A
 c. A is correct but R is not correct
 d. A is wrong but R is correct

4. Which one of the following statement is not true?

- a. An expenditure intended to benefit current year is revenue expenditure
 b. Amount paid for acquiring goodwill is capital expenditure
 c. Wages paid for installation of a new machine is usually debited to wages account
 d. Revenue expenditure is not intended to benefit future period

5. The balance of property at cost has been Rs 20000 and Rs 17000 in 2015 and 2016 respectively. The profit on the sale of property of Rs 2000 is credited to capital reserve account. New property costing Rs 5000 was bought in 2016. Determine the salr proceeds from property.

- a. 3000 b. 7000 c. 10000 d. 15000

6. Which one of the following receipts is of revenue nature?

- a. Amount realized from the sale of investments
 b. Dividend received on investment
 c. Amount borrowed from a bank
 d. Compensation received from municipal corporation for the acquisition of land for the construction of road.

7. Schedule III part III of the companies act 2013 deals with which one of the following

- a. Format of balance sheet
 b. Format of profit and loss account
 c. Format of trading account
 d. Format of cash flow

8. Match the items of list – I with those of list-II and indicate the correct code.

List-I	List-II
a. AS 6	1. Accounting for consolidated financial statements
b. AS 3	2. Accounting for fixed assets
c. AS 10	3. Depreciation accounting
d. AS 21	4. Accounting for cas flow statement

Codes:

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 2 | 4 | 3 | 1 |

- b. 3 4 2 1
c. 4 3 1 2
d. 1 2 3 4

9. Which of the following are the benefits of responsibility accounting?

1. It facilitates the centralization of decision taking.
2. It provides a system of closer control
3. It measures the performance of individuals in an objective manner.
4. It develops a sense of cost consciousness among managers and their subordinates

Codes:

- a. 1 2 3 b. 2 3 4 c. 1 2 4 d. 1 3 4

10. Which one of the following methods of inflation accounting has been proposed by Sandilands committee of UK

- a. General price level method
- b. Specific price level method
- c. Current cost accounting method
- d. Generally accepted accounting principles

11. Which of the following activities should be shown separately in the cash flow statement prepared as per accounting standard 3?

1. Cash flow from borrowing activities
2. Cash flow from operating activities
3. Cash flow from financing activities
4. Cash flow from investing activities
5. Cash flow from miscellaneous activities

Codes:

- a. 1 2 3 b. 1 3 5 c. 1 3 4 d. 1 2 5

12. Which of the following is a deferred revenue expenditure?

- a. Legal expense incurred on the purchase of land.
- b. Expenses on a mega advertisement campaign while launching a new product
- c. Expenses incurred on installation of a new machine
- d. Wages paid for construction of an additional room in the building

13. The amount of depreciation charged to profit and loss account varies every year under

- a. Fixed installment method
- b. Annuity method
- c. Diminishing balance method
- d. Insurance policy method

14. Interest on loan taken for the purchase of fixed assets is a

- a. Revenue expenditure
- b. Capital expenditure

- c. Deferred revenue expenditure
- d. Capital loss

15. Dual aspect concept results in which of the following accounting equation?

- a. Revenue = expenses
- b. Capital + profits = assets + expenses
- c. Capital + liabilities = assets
- d. Capital + drawings = owners equity

16. Match the following

List-I	List-II
a. Materiality concept	1. The same accounting method used by a firm from one oero
b. Going concern concept	2. An inappropriate assumption of a firm being bankrupt
c. Historical cost concept	3. A normal basis used for accounting assets
d. Consistency concept	4. Relates to the importance of an item or event

Codes:

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 4 | 2 | 3 | 1 |
| b. | 1 | 2 | 3 | 4 |
| c. | 2 | 3 | 4 | 1 |
| d. | 4 | 2 | 1 | 3 |

17. Which of the following statement are correct?

- 1. Analysis and interoretation of financial statements is a function of accounting
 - 2. Profit and loss account is prepared for ascertaining financial position of a firm
 - 3. Goodwill is a wasting asset
 - 4. Balance sheet is prepared for ascertained financial position of a firm
- a. 1 2 b. 1 3 c. 1 4 d. 2 3

18. Match the following

List-I	List-II
a. Intangible assets	1. Ind AS 31
b. Impairment of assets	2. Ind AS 34
c. Interim financial reporting	3. Ind AS 36
d. Interests in joint ventures	4. Ind AS 38

Codes:

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 1 | 2 | 3 | 4 |
| b. | 4 | 3 | 2 | 1 |

26. Insurance expenses paid to bring an equipment from the place of purchase to the place of installation is a type of?
- Revenue expenditure
 - Capital expenditure
 - Deferred revenue expenditure
 - Operating expense
27. In accounting, profit prior to incorporation is treated as
- Revenue reserve
 - Secret reserve
 - capital reserve
 - general reserve
28. Receipts and payments account is prepared by
- Manufacturing concerns
 - Non-trading concerns
 - Trading concerns
 - Companies registered under companies act 1956
29. Owners equity stands for
- Fixed assets – fixed liabilities
 - Fixed assets – current liabilities
 - Current assets – fixed liabilities
 - Total assets – total outside liabilities
30. The funds available with a company after paying all claims including tax and dividend is called
- Net profit
 - Non operating profit
 - capital profit
 - retained earnings
31. Assertion. Accounting information refers to only events which are concerned with business firm
Reason Accounting information is presented in financial statements.
- Both A and R are true and R is the correct explanation of A
 - Both A and R are true and R is not the correct explanation of A
 - A is true but R is false
 - A is false but R is true
32. The main objective of accounting standards is
- To prepare the accounting reports which is easily understood by common man
 - To comply with the legal formalities
 - To harmonise the diversified accounting practices
 - To comply with the requirements of the international accounting standards
33. Income and expenditure account of non-profit organisation is a
- Real account
 - Nominal account
 - personal account
 - representative personal account
34. Consider the following statements
1. Inventory includes raw materials, finished goods and work in progress.

2. Inventory is a part of the working capital
 3. Inventory includes goods likely to be purchased
 a. Both 1 2 b. 2 3 c. 1 3 d. all of the above

35. Window dressing is prohibited due to
 a. Conservative convention
 b. Convention of disclosure
 c. Convention of materiality
 d. Arrear of book accounts

36. Match the following

List-I	List-II
A. Measurement of income	1. Accrues to the equality of curves
B. Recognition of expenses	2. Recognition of revenue
C. Basis of realization	3. Matching revenue with expenses
D. Identification of revenue	4. Accounting period

Codes:

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 1 | 2 | 3 | 4 |
| b. | 2 | 1 | 3 | 4 |
| c. | 3 | 4 | 1 | 2 |
| d. | 3 | 4 | 2 | 1 |

37. Which of them are current liabilities?
 1. Debentures 3. Interest accrued
 2. Prepaid rent 4. Bank overdraft
 a. 1 2 3 4 b. 4 c. 2 3 4 d. 1 2 3

38. If opening stock is Rs 10000, net purchase Rs 70000, wages Rs 2500, Carriage inward Rs 500 and closing stock Rs 15000. What is the manufacturing cost?
 a. 65000 b. 83000 c. 68000 d. 73000

39. Which one of the following statement is true?
 a. Capital expenditure does not affect the profitability of a concern, but revenue expenditure does
 b. Capital expenditure affects the profitability of a concern directly, but revenue expenditure does not
 c. Capital expenditure affects the profitability of a concern indirectly but revenue expenditure affects directly
 d. Both capital expenditure and revenue expenditure affect the profitability of a concern directly.

40. Identify the true statement of the following
 1. Balance sheet is always prepared from the point of view of the business but not from that of the owners
 2. The financial relationship of the business to its owners is shown in the balance sheet
 3. Balance sheet is always related to a period of time.

- a. Both 1 2 b, 2 3 c. 1 3 d. all of the above

41. Which one of the following will not affect the working capital

- Realiation of cash from debtors
- Sale of plant and machinery in cash
- Issue of equity shares
- Redumption of debentures

42. Match the following

List-I	List-II
A. Goodwill of a company	1. Current liability
B. Overdraft	2. Fixed assets
C. Preliminary expenses	3. Reserve surplus
D. Premium on issue of shares	4. Fictitious assets

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 2 | 1 | 4 | 3 |
| b. | 1 | 2 | 4 | 3 |
| c. | 1 | 2 | 3 | 4 |
| d. | 2 | 1 | 3 | 4 |

43. In India, which one of the following is prepared on the guidelines of AS 3

- Balance sheet of a company
- Fund flow statement
- Cash flow statement
- Consolidated financial statement

44. What is the correct sequence of the following actions required for the preparation of financial accounts?

- Trading account
- Making adjustment entries
- Balance sheet
- Profit and loss account

Codes

- a. 4 2 1 3 b. 2 4 3 1 c. 2 1 4 3 d. 4 2 3 1

Answer keys

1=	2=C	3=D	4=B	5=A	6=B	7=B	8=B	9=C	10=C
11=D	12=B	13=B	14=D	15=D	16=C	17=A	18=A	19=C	20=D
21=C	22=A	23=B	24=D	25=C	26=D	27=A	28=C	29=B	30=A
31=C	32=A	33=C	34=A	35=A	36=B	37=D	38=B	39=C	40=D
41=A	42=D	43=B	44=A						

PRACTICE SETS

1. An ordinary partnership firm can have maximum
a. 5 partners b. 10 partners c. 150 partners d. 20 partners
2. After the new partnership agreement, assets and liabilities in a balance sheet are recorded at ____
a. Original value c. realizable value
b. Revalued figure d. none of the above
3. When a partner is given guarantee lay the other partner, loss on such gurantee will be borne by ____
a. Partner giving guarantee
b. Partner with highest ratio
c. Partnership firm
d. All the other partner
4. Liability of partner in a partnership firm
a. Limited b. unlimited c. restricted d. undefined
5. As per partnership act, which of these rights are available to a partner?
a. Bonus b. salary c. commission d. equal profit
6. Consider the following
1. Atleast three persons are necessary for forming a partnership.
2. The right to share a profit is full proof of one being a partner
3. The business of the firm can be conducted even by one partner.
Which of the statement given above is correct?
a. 1 3 b. 3 c. all of the above d. none of the above
7. Which of the following is conclusive evidence of partnership?
a. Sharing profits c. carrying of some business
b. Mutual agency d. all of the above
8. In the absence of any provision in the partnership agreement,partners are paid interest on partners loan @
a. 5% per annum c. 8% per annum
b. 6% per annum d. 10% per annum
9. Under capitalization method, goodwill is calculated by
a. Number of years purchase × average profit
b. Number of years purchase × super profit
c. Average profit + expected rate of return
d. Super profit + expected rate of return
10. Which of these is not an essential feature of a partnership firm?
a. Mutual agency

- b. Compulsory registration
- c. Association of two or more persons
- d. Existence of business

11. Identify which of the following partnerships characteristic is a disadvantage?

- a. Voluntary association
- b. Minimal legal restrictions
- c. Limited liability
- d. None of the above

12. Arrange the following steps of adjustment of capital in correct order?

- 1. Calculation of total capital of new firm.
- 2. Finding out the surplus or deficiency in each of partners capital account
- 3. Calculation of adjusted old capitals of partners
- 4. Finding out the new capitals of partners

Codes:

- a. 3 4 2 1 b. 4 3 2 1 c. 3 1 4 2 d. 3 2 4 1

13. Which of the following are correct regarding rights of partners?

- 1. A partner has the right to allow the admission of a new partner.
- 2. Every partner has a right to take part on the management of business.
- 3. Every partner has a joint ownership of partnership property.
- 4. Every partner has a right to share the profit not the losses with other partners.
- 5. Every partner has a right to inspect the books of account and have a copy of the same
- 6. In case of emergency, a partner has a right to act as a man of prudence.

Codes

- a. 1 2 3 4 b. 2 3 4 6 c. 3 4 5 6 d. 2 3 5 6

14. Choose the odd one out. The court has the option to order dissolution of a firm, where

- 1. A partner is of sound mind
- 2. A partner do not suffer from permanent in capacity
- 3. A partner is not guilty of misconduct of the business.
- 4. A partner transfers his interest or share to a third party.

Codes:

- a. 1 2 b. 2 3 c. 3 d. 4

15. The inter-se-relations of the partners between themselves is that of

- a. Family friends c. agents of each other
- b. Business associates d. close relatives

16. In the absence of an agreement to the contrary, all partners sleeping or working share profits and losses in the

- a. Capital ratio c. both a and b
- b. Equal ratio d. none of these

17. The current account of a partner
 a. May have a debit or a credit balance
 b. Will always have a debit balance
 c. Will always have a credit balance
 d. Will never have a balance
18. Which of the following accounts balance will not be transferred to realisation account?
 a. Provision for bad debts
 b. Debtors
 c. Goodwill
 d. Cash and bank
19. What type of account is revaluation account?
 a. Personal account
 b. Nominal account
 c. real account
 d. none of these
20. Goodwill in a partnership firm can be valued at the time of
 a. Admission
 b. Retirement
 c. death
 d. all of these

ANSWER KEYS

1=D	2=B	3=A	4=B	5=D	6=C	7=B	8=B	9=D	10=B
11=D	12=C	13=D	14=B	15=C	16=B	17=A	18=D	19=B	20=D

PRACTICE SET

1. The company's nationality is decided by its
 a. Shareholders
 b. Registered office
 c. place at books of accounts are kept
 d. none of the above
2. The statutory meeting of a company is convened
 a. Once in a year
 b. Once in the life of the company
 c. Once in 6 months
 d. Once in 3 months
3. And reduced words are to be shown in balance sheet as per the requirements of
 a. Company law
 b. Income tax
 c. accounting standards
 d. SEBI
4. Liability of a member in case of a private company can be
 a. Limited
 b. unlimited
 c. both A and B
 d. none of these

5. Liability of a member of members in case of public company is
a. 7 b. 5 c. 2 d. 1
6. A concern should select an accounting policy which enables it to
a. Pay the proper amount of income tax
b. Calculate the correct amount of cash in hand
c. Present a true and fair view of its state of affairs and profit or loss
d. Both a and b
7. Which one of the following statement is correct?
a. A company consists of heterogenous members
b. A body corporate includes a cooperative society
c. The expression corporation or body corporate are same
d. A partner cannot contract with his firm whereas a member of a company can
8. Which of the following reports have to be submitted before the companys annual general meeting as per the companies act?
a. Directors report c. statement of profit and loss and balance sheet
b. Auditr's report d. all of the above
9. Ploughing back of profit means
a. Dividend declared but not claimed by shareholders
b. Non declaration dividend in any year
c. Profits earned from illegal sources and employed in business
d. Retaining the earnings of business for future expansion programme
10. That portion of the share capital which can be called up only on the winding up of the company is the
a. Reserve capital c. issued capital
b. Subscribed capital d. authorized capital
11. Read the following statements
1. Financial statements are only interim reports
2. Financial statements are prepared on the baisi of relaisable values
3. The preparation of financial statements is not an ultimate aim
4. Certain assumptions are necessary to prepare financial statements
Codes:
a. 1 2 3 b. 2 3 4 c. 1 3 4 d. 1 2 4
12. The amount received over and above the par value is credited to which account?
a. Share capital account c. securities premium account
b. Calls in advance account d. share forfeitire account
13. Arrange the following liabilities is the order of companys balance sheet
1. Bank overdraft 3. Share capital
2. Bank loan 4. Provision for taxation
Codes:

- a. 1 2 3 4 b. 4 3 2 1 c. 3 2 1 4 d. 3 2 4 1

14. Which of the following should be deducted from the share capital to find out paid up capital?

- a. Calls in advance c. securities premium
b. Calls in arrear d. bonus

15. Redeemable preference shares can be redeemed

- a. If they are paid not less than 50% of the nominal value of shares
b. Only if they are fully paid
c. Even if they are partly paid
d. Only if they are issued at premium

16. Which of the following conditions have to be met to receive calls in advance?

- a. It should be authorized by a special resolution of the company
b. It should be authorized by an ordinary resolution of the company
c. It should be approved by the company law board
d. It should be authorized by the articles

17. Which type of company's shares are freely transferable?

- a. Private company c. both a and b
b. Public company d. none of these

18. Share can be issued at a discount only after _____ year from the commencement of business

- a. Shares can not be issued at discount
b. One
c. Two
d. Two and a half

19. If minimum subscription is not received, application money should be refunded within how many days

- a. 7 b. 10 c. 15 d. 30

20. A company can buy back

- a. Partly paid share c. partly called up
b. Fully paid shares d. none of these

21. Minimum number of members in case of private company is

- a. 1 b. 2 c. 5 d. 10

22. Capital redemption reserve is created due to

- a. Voluntary c. both a and b
b. Legal requirements d. none of these

23. Within how many days minimum subscription should be received?

- a. 60 b. 100 c. 120 d. 150

24. A company can redeem preference shares
a. At par b. at premium c. out of free reserves d. all of these
25. The following relate to the shares of a company. What is the correct order?
a. Issue, application, call and forfeiture
b. Application, call, forfeiture and issue
c. Call, issue, application and forfeiture
d. Forfeiture, application, issue and call
26. Which of the following statement is incorrect?
a. Calls in arrears do not form part of paid up capital
b. Preference shareholders get dividend at flexible rate
c. Share application account is a personal account
d. None of the above
27. Which of the following items cannot be shown as reserves?
a. Capital reserve c. securities premium
b. Securities premium d. none of the above
28. Secret reserves may be created by
a. Under valuation of liabilities only
b. Under valuation of assets only
c. Over valuation of assets only
d. Over valuation of liabilities and under valuation of assets
29. Buy back of equity shares in any financial year shall not exceed
a. 5% of its total capital
b. 25% of nominal share capital
c. 25% of fully paid equity share capital
d. None of the above
30. The balance in share forfeiture account, after the reissue of all forfeited share should be
a. Transferred to goodwill account
b. Transferred to capital reserve account
c. Shown as share forfeiture account
d. Added to paid up capital
31. Which of the following pairs are correctly matched?
a. When a company issues its securities at a price more than the face value – shares issued at discount
b. When shares issued at an amount less than par value of shares- shares issued at premium
c. When shares are issued at their face value- shares issued at par
d. All of the above
32. Right shares are the shares
a. That have a right of redemption
b. Offered to the existing equity shareholders

- c. Legally issued to the public at large
d. Issued by a newly formed company
- 33.** The sub-division of shares does not result in _____ of capital.
a. Reuction
b. Increase
c. sub-division
d. none of these
- 34.** Arrange the following categories of share capital of a company in the correct order.
1. Paid up capital
2. Issued capital
3. Called up capital
4. Subscribed share capital
a. 2 4 3 1
b. 1 2 3 4
c. 3 2 4 1
d. 3 2 1 4
- 35.** Which of the following statement is correct?
a. Rights shares are first offered to employess
b. Rights shares are offered in lieu of dividends
c. Rights shares are offered to the existing shareholders in proportion to the equity shares held by them.
d. Rights shares are those shares which are offered to the promoters
- 36.** Preference shares can be redeemed
a. Partly out of issue of shares and balance out of free reserves
b. Out of proceed of issue of shares
c. Out of profits
d. All of the above
- 37.** For what a company may utilize the securities premium amount?
a. Writing off the discount on the issue of debentures
b. Writing off any loss of revenue nature
c. Writing off any loss on sale of fixed assets
d. Payment of dividends
- 38.** Profit on sale of sinking fund investment will be debited to
a. Profit and loss account
b. Sinking fund account
c. Sinking fund investment account
d. Revaluation account
- 39.** On issue of shares, the application money should not be less than
a. 2.5% of the nominal value of shares
b. 2.5% of the issue price of shares
c. 5% of the nominal value of shares
d. 5% of the issue price of shares
- 40.** The discount allowed on reissue of forfeited shares is debited to
a. Share capital account
b. Profit and loss account
c. Capital redumption reserve account

- d. Forfeited shares account
41. Which one of the following statement is incorrect?
- a. Bonus shares are issued without payment
 - b. Only revenue reserve should be used when bonus is declared in order to make partly paid shares into fully paid shares
 - c. Fully paid bonus shares are issued only out of capital reserves
 - d. The price of issue of bonus shares is also known as capitalization of reserves
42. When dividend is actually received on due date
- a. The pro-rata amount relating to the period before the date of acquisition is entered in the income column (cr) of the following investment account
 - b. The pro-rata amount relating to the period after the date of acquisition is entered in the income column (cr) of the investment account
 - c. The entire amount is entered in the income column (dr) of the investment account
 - d. The entire amount is entered in the capital column (cr) of the investment account
43. Dividend declared and paid by a company is
- a. An expense of the company
 - b. An income of the company
 - c. The distribution of profit earned by the company
 - d. The source of fund for the company
44. Which of the following statements is incorrect?
- a. When proposed dividend does not exceed 10%. It is not obligatory on the company to transfer any profit to its reserve
 - b. Capital redemption reserve can be utilized for writing off miscellaneous expenses and losses
 - c. Dividends are not payable on the calls paid in advance by shareholders
 - d. Reserves created by revaluation of fixed assets are not permitted to be capitalized
45. A company can buy back equity shares out of
- a. Its securities premium account
 - b. The proceeds of preference shares
 - c. Its free reserves
 - d. All of the above
46. For purpose of redemption of preference share company can issue
- a. Debentures at premium
 - b. Equity shares
 - c. Bonds fixed deposits certificates
47. The cost of right shares is
- a. Subtracted from the cost of investments
 - b. Added to the cost of investments
 - c. No treatment is required
 - d. None of the above

48. Dividend policy of a company mainly concerns with

1. Dividend payout Codes 2. Stability of dividend

- a. 1 b. 2 c. 12 d. none of these

49. When shares are forfeited the share capital account is debited with _____ and the share forfeiture account is credited with _____

- Calls in area of shares forfeited, amount received on shares forfeited
- Called up capital of shares forfeited, amount received on shares forfeited
- Called up capital of shares forfeited, calls in arrears of shares forfeited
- Paid up capital of shares forfeited, called up capital of shares forfeited

50. 50000 equity shares of Rs 10 each, issued at Rs 20, for the purpose of redemption of preference share capital amounting Rs 750000. How much amount will be transferred to capital redemption reserve?

- a. Rs 200000 b. Rs 250000 c. Rs 500000 d. Rs 1000000

51. Raj industries limited offers equity shares to its existing shareholders at the rate of 2 shares for every 5 years held by them. If the right issue price is Rs 180 per share and the market value is Rs 200 per share, then the value of a right is

- a. Rs 20 b. Rs 180 c. Rs 200 d. Rs 40

52. A limited company issued equity shares of Rs 100 each. It has called-up Rs 75 on each share, but received only Rs 60 per share. The share capital account will be credited with

- a. Rs 75 per share
b. Rs 60 per share
c. Rs 100 per share
d. none of the above

53. When shares are forfeited, the share capital account is debited by

- Nominal value of forfeited shares
- Aid-up amount of forfeited shares
- Called-up amount on forfeited shares
- Forfeited amount of shares

54. A ltd allotted 10000 shares to the applicants of 14000 shares on pro-rata basis. The amount payable an application is Rs 2. Mr X applied for 420 shares. The number of shares allotted and the amount carried forward for adjustment against allotment money due from X is

- a. 60 share Rs 120 c. 340 shares Rs 160
b. 320 shares Rs 200 d. 300 shares Rs 240

55. X ltd allotted 25000 equity shares to the applicants of 36000 shares for Rs 10 each on pro-ratta basis. A applied for 1800 equity shares. Shares allotted to him are ____ and he had paid an application money of Rs 5 per share ____ is the excess amount received that can be utilized towards allotment money

- a. 1500 shares Rs 1500 c. 1350 shares Rs 2250
b. 1250 shares Rs 2750 d. 1050 shares Rs 3750

1=B	2=B	3=A	4=C	5=A	6=C	7=D	8=D	9=D	10=A
11=C	12=C	13=C	14=B	15=B	16=D	17=C	18=A	19=B	20=B
21=B	22=B	23=C	24=D	25=A	26=B	27=D	28=D	29=C	30=B
31=C	32=B	33=A	34=A	35=C	36=D	37=A	38=C	39=C	40=D
41=C	42=B	43=C	44=B	45=D	46=B	47=B	48=C	49=B	50=B
51=A	52=A	53=C	54=D	55=B					

PRACTICE SET

- Which one of the following cost would not be termed as product costs?
 - Administrative salaries
 - Direct labour
 - Indirect material
 - Plant supervisors salary
 - Under marginal costing, only ____ costs are charged to products.
 - Fixed
 - Variable
 - both a and b
 - none of these
 - Which is the best measurement by the centres for the contribution of a profit centre to the overall profitability of the business in the long-run?
 - Taxable income
 - Contribution margin
 - Performance margin
 - Responsibility margin
 - Why is profit volume ratio used?
 - To compute the variable cost for any volume of sales.
 - To determine break-even point and the level of output required to earn a desired profit
 - To decide most profitable sales mix
 -
- Codes:
- 1 2
 - 2 3
 - 1 3
 - all of these
- What is the effect of increase in fixed cost?
 - Reduces profit volume ratio
 - Raises break even point
 - Increases margin of safety
 - Reduces contribution
 - Which of the following is correct at break-even point?
 - Contribution = fixed assets
 - Sales revenue = total cost – variable cost
 - Profit = fixed cost + variable cost
 - Sales revenue = variable cost

7. Break even point is also known as
- Total cost
 - Total revenue
 - no profit no loss
 - contribution
8. The margin of safety may be defined as
- The point at which break-even point sales are achieved
 - The excess of planned sales over the current actual sales
 - The extent to which sales revenue exceeds fixed costs
 - The difference between planned sales and break even point sales
9. The break even point in units is calculated using
- Fixed expenses and the contribution margin ratio
 - Variable expenses and the contribution margin ratio
 - Fixed expenses and the unit contribution margin
 - Variable expenses and the unit contribution margin
10. An increase in fixed costs will result, in which of the following?
- A decrease in the contribution sales ratio
 - A decrease in the contribution per point
 - An increase in the break even point sales level
 - An increase in the margin of safety
11. In the context of standard costing; basic standard is established for
- Short period
 - Current period
 - indefinite period
 - predefined period
12. A variable such as activity that causes cost over a given time is
- Cost driver
 - Cost behavior
 - cost centre
 - none of these
13. Process costing is used in which industry?
- Manufacturing industries
 - Mining industries
 - Both a and b
 - None of these
14. Which of the following system applies when standardized goods are produced under a series of operations?
- Job order costing
 - Process costing
 - standard costing
 - kaizen costing
15. The statement prepared under process costing is called
- Cost of goods sold statement
 - Income statement
 - Cost of production report
 - Variance statement

16. A process costing system is used by a company that
- Produces heterogeneous products
 - Produces items by special request of customers
 - Produces homogenous products
 - Accumulates costs by jobs
17. When partially completed units are converted to a comparable number of completed units, they are referred to as
- Split-off units
 - Equivalent units
 - converted units
 - equitable units
18. In increasing production volume situation, the behavior of fixed cost will be _____ and variable cost will _____
- Decrease, increase
 - Increase, decreasing
 - constant, increase
 - increase, constant
19. Under the marginal costing concept, unit product cost would most likely be increased by
- A decrease in the number of units produced
 - An increase in the number of units produced
 - An increase in the commission paid to salesman for each units sold
 - A decrease in the commission paid to salesman for each units sold
20. Which inventory costing method is based on the assumption that costs should be charged against revenue in the order, in which they were incurred?
- Perpetual inventory
 - LIFO
 - FIFO
 - average cost
21. Profits can be increased by
- Decreasing the selling price per unit
 - Increasing the selling price per unit
 - Decreasing the volume of sales
 - Increasing the volume of sales
 - Decreasing the fixed or variable expenses
 - Increasing the fixed or variable expenses
 - Giving more weightage for products having higher P/V ratio
 - Giving less weightage for products having higher P/V ratio
- Codes
- 1 3 5 7
 - 2 4 6 8
 - 2 4 5 7
 - 1 3 6 8
22. What is the most useful information derived from a break-even chart?
- Relationship between revenue and costs at various levels of output
 - Volume or output level at which the enterprises break-even
 - Amount of sales revenue needed to cover enterprise variable costs
 - Amount of sales revenue needed to cover enterprise fixed costs

- 23.** Portion of labour cost variance which is due to the difference between predetermined working days and actual working days is
- Labour idle time variance
 - Labour calendar variance
 - labour rate variance
 - labour efficiency variance
- 24.** Which of the following accounts is similar to the inventory account of a merchandising company?
- Raw materials inventory
 - Work in process inventory
 - Finished goods inventory
 - Manufacturing inventory
- 25.** Consider the following statements.
- Marginal costing and absorption costing are the same
 - For decision making, absorption costing is more suitable than marginal costing
 - Marginal costing is based on the distinction between fixed and variable costs
- Codes
- 1 2
 - 2 3
 - 1 3
 - none of these
- 26.** If sales revenue at 60% capacity is Rs 450000 sales revenue at 70% capacity on a fall in selling price by 5% would be?
- 498750
 - 750000
 - 525000
 - 712500
- 27.** Which of the following are possible causes of material price variance?
- Change in market price
 - Use of poor quality of material
 - Inefficient buying
 - Untimely buying
 - Unyimely buying
 - Paying overtime for urgent work
 - Use of suitable material of different prices
- Codes
- 1 3 4 6
 - 2 3 5 6
 - 3 4 5 6
 - 1 3 5 6
- 28.** If beginning work-in-progress equivalent units are 2500 units, work done in current period equivalent units are 3800 units are 5000 units, then complete equivalent units 8 in current period are
- 1800 units
 - 1500 units
 - 1300 units
 - 1000 units
- 29.** The cost of material that is not completely processed, would be found in which of the following inventory account on the balance sheet?
- Direct material inventory
 - Work-in-pricess inventory
 - Finishaed goods inventory
 - Supplier inventory

30. If the beginning balance in the raw materials inventory account for the month was Rs 25000, the ending balance was Rs 22000 and material used during the month was Rs 130000. What is the amount of materials purchased during the month?
- a. Rs 177000 b. Rs 130000 c. Rs 127000 d. Rs 133000
31. If the beginning balance in raw materials inventory is Rs 5000 the ending balance is Rs 3500 and material of Rs 60000 was purchased, what is the amount of materials transferred to work-in-process inventory during the period?
- a. Rs 58500 b. Rs 60000 c. Rs 61500 d. Rs 68500
32. In an activity based costing implementation, products diverse demand is based on
- a. Batch size c. process steps
b. Complexity d. all of these
33. The costing method in which fixed factory overheads are added to inventory is
- a. Process costing c. marginal costing
b. Activity costing d. standard costing
34. Target price is subtracted from per unit target operating income to calculate
- a. Total current full cost
b. Total cost per unit
c. Target operating income per unit
d. Target cost per unit
35. The origin of Kaizen costing is
- a. India b. Japan c. China d. France
36. Kaizen costing is applied to a product that is
- a. Produced c. targeted to produce
b. Under production d. sold to customer
37. Life cycle costing
- a. Is sometimes used as a basis for cost planning and product pricing
b. Includes only manufacturing costs incurred over the life of the product
c. Includes only manufacturing cost, selling expenses and distribution expenses
d. Emphasizes cost savings opportunities during the manufacturing cycle
38. Which aspect of business is affected the most by implementing JIT
- a. Sales c. manpower requirements
b. Inventory d. total maintenance
39. Why is cash budget prepared?
- a. It helps in cash management
b. It helps in preparing balance sheet
c. It is legally compulsory
d. Both a and c

40. Which budget is prepared first of all?
- a. Cash budget
 - b. Master budget
 - c. budget for the key factor
 - d. flexible budget
41. Which of the following is usually as long term budget?
- a. Capital expenditure budget
 - b. Cash budget
 - c. Sales budget
 - d. None of these
42. Cash budget is based on
- a. Past performance
 - b. Future estimates
 - c. both a and b
 - d. none of these
43. In proper capital budgeting analysis, we evaluate incremental
- a. Cash flow
 - b. Accounting income
 - c. earnings
 - d. operating profit
44. Which of the following would be included in a cash budget?
- a. Patent amortization
 - b. Goodwill
 - c. Dividends
 - d. Depreciation charges
45. What may be the principle budget factor in case of plant?
- a. General shortage of power
 - b. Shortage of experienced salesman
 - c. Insufficient capacity
 - d. All of the above
46. The concept of budget that requires all levels to work from scratch is
- a. Flexible budget
 - b. Total budget
 - c. master budget
 - d. zero base budget
47. In an activity based cost system, an activity or unit of work or task with differentiated purpose will be classified as
- a. Different task
 - b. Purpose cost
 - c. an activity
 - d. an allocation cost
48. An estimated price, which is expected to be paid by customers for particular market offering is classified as
- a. Target price
 - b. Target cost
 - c. outsource price
 - d. offshore price

49. A technique, which accumulates and tracks costs of business function in value chain attributed to each market, offering from R and D to final customer support is called
- Product life cycle
 - Life cycle budgeting
 - life cycle costing
 - target costing
50. Which of the following involves receiving a required inventory item at the exact time needed?
- PERT
 - FOB
 - JIT
 - ABC

Answer keys

1=A	2=B	3=D	4=D	5=B	6=A	7=C	8=D	9=C	10=C
11=B	12=B	13=C	14=B	15=C	16=C	17=B	18=C	19=C	20=C
21=C	22=B	23=B	24=C	25=C	26=A	27=A	28=C	29=B	30=C
31=C	32=D	33=B	34=D	35=B	36=B	37=A	38=B	39=A	40=C
41=A	42=B	43=A	44=C	45=C	46=D	47=C	48=A	49=C	50=C

Question Papers:

Dec-2019

1. which of the following sections of companies Act 2013 facilitates amalgamation, absorption and reconstruction of companies?

- 319
- 320
- 410
- 502

Answer: 1

2. match list I with list II

List-I	List-II
a. qualified report	i. auditor duty
b. examine valuation and disclosure	ii. auditor liabilities
c. access to records of company and its subsidiaries	iii. auditor report
d. mis-statement in prospectus in company issue of capital	iv. auditor right

Choose the correct option from those given below:

- a-ii, b-I, c-iv, d-iii
- a-iii, b-I, c-iv, d-ii
- a-iii, b-I, c-ii, d-iv
- A-iv, b-ii, c-iii, d-i

Answer: 2

3. which among the following are not qualified to be appointed as auditor of a company?

- an individual who is a chartered accountant and holds a certificate of practice as per CA act 1949
- a limited liability partnership firm, which has all partners as chartered accountants
- officer or employee of a company who is qualified chartered accountant degree holder too
- any chartered accountant whose appointment will result in the person being the auditor of more than 10 companies.

Choose the most appropriate options:

- a b
- B c d
- C d
- A b d

Answer: 2

4. which of the following is not a method for calculating or ascertaining the amount of purchase consideration?

- net payment method
- Net assets method
- gross receipts method
- Share exchange method

Answer: 3

5. which of the following statements is not correct regarding the duties of auditor?

1. physical verification of fixed assets is primarily the responsibility of the auditor
2. ownership of fixed assets should be verified by examining the title deed by the auditor
3. auditor should ascertain that the assets are in the possession of the client
4. the auditor should satisfy himself that the assets have been valued in the financial statements according to the accounting principles.

Answer: 1

6. Given below are two statements. One is labeled as Assertion A and the other is labeled as Reason R

Assertion A: Indian accounting standards contain some 'carve outs' and for convergence with IFRS with some changes applied in india.

Reason: financial statements prepared in india with indian accounting standards will not be IFRS compliant.

In the light of the above two statements, choose the correct option

1. both A and R are true and R is the correct explanation of A
2. both A and R are true but R is not the correct explanation of A
3. A is true but R is false
4. A is false but R is true

Answer: 2

7. which of the following are the methods of determining cost behaviour?

- a. high and low point method
- b. least square regression method
- c. accounting or analytical approach
- d. non parametric method

chose the correct answer from the options given below

1. a b d
2. A c d
3. B c d
4. A b c

8. which of the following is not part of the process of management audit?

1. identification of responsibility centre
2. review of performance of each responsibility centre
3. review of organisational structure
4. investigating the depreciation method and its application on fixed assets in the company.

Answer: 4

June-2019

1. which of the following types of goodwill is considered to be the best?

1. dog goodwill
2. Cat goodwill
3. rat goodwill
4. Cow goodwill

Answer 2

2. a statement of change in financial position typically would not disclose the effect of

1. share capital issued to acquire productive facilities
2. dividends on share declared
3. cash dividend declared but not yet paid
4. purchase and retirement of treasury stock

Answer: 2

3. product A requires 10 kg of material at the rate of Rs 5 per kg. the actual consumption of material for the manufacturing of product A comes to 12 kg of material at the rate of Rs 6 per kg. direct material cost variance is

1. Rs 22 (favourable)
2. Rs 22 unfavourable
3. Rs 12 favourable

4. Rs 12 unfavourable

Answer: 2

4. match list I with list-II

List-I	List-II
a. Ind AS 16	i income tax
b. ind AS 38	ii leasing
c. Ind AS 17	iii intangible assets
d. Ind AS 12	iv Property plant and equipments

Choose the correct option from those given below:

1. a-iv b-iii, c-I, d-ii
2. a-iv, b-iii, c-ii. d- i
3. a-iii, b- ii, c-iv, d-i
4. a-iv, b-ii, c-I, d-iii

Answer: 2

5. As per section 52 of the companies act 2013, the balance in the security premium account cannot be utilized for

1. payment of dividend
2. writing off discount on issue of shares
3. issue of fully paid up bonus share
4. capital losses

Answer: 1

6. Redeemable preference shares of Rs 200000 are to be redeemed at par for which fresh equity shares of Rs 80000 are issued at a discount of 10%. What amount should be transferred to capital redemption reserve account?

1. Rs 200000
2. Rs 120000
3. Rs 128000
4. Rs 72000

Answer: 3

7. which of the following are the rights of a statutory auditor?

- a. to receive remuneration
- b. to attend board of directors meeting
- c. to attend the general meeting
- d. to visit the branch office

choose the correct answer from the following

1. a b
2. A b d
3. A c d
4. A b c d

Answer: 3

UNIT-4

BUSINESS ECONOMICS

Establishment of Various Financial Institutions

1.	Reserve Bank of India	1934
2.	Industrial Finance Corporation of India	1948. Sick financial institution.
3.	ICICI	1955
4.	SBI	1955. Nationalized
5.	Life Insurance Corporation (LIC)	1956
6.	Industrial Development Bank of India (IDBI)	1964
7.	Unit Trust of India (UTI)	1964
8.	HUDCO	1970
9.	General Insurance Corporation (GIC)	1972
10.	NABARD	1982
11.	SEBI (Replaced Controller of Capital Issue)	1988 Functional in 1992
12.	Small Industries Development Bank of India (SIDBI)	1990. Subsidiary of IDBI
13.	IRDA	1999

Various Acts & their Enactment Years

1.	Banking Regulation Act	1949
2.	Industries (Development & Regulation) Act	1951
3.	MRTTP Act	1969
4.	FERA	1973
5.	Negotiable Instrument Act	1981
6.	FEMA	2000
7.	Competition Act	2002

Organizations & Their Survey/Reports

1.	World Economic & Social Survey	U. N
2.	World Investment Report	UNCTAD
3.	Global Competitiveness Report	World Economic Forum
4.	World Economic Outlook	IMF
5.	Business Competitive Index	World Economic Forum
6.	Green Index	World Bank
7.	Business Confidence Index	NCAER
8.	Poverty Ratio	Planning Commission
9.	Economic Survey	Ministry of Finance
10.	Wholesale Price Index	Ministry of Industry
11.	National Account Statistics	CSO
12.	World Development Indicator	World Bank
13.	Overcoming Human Poverty	UNDP
14.	Global Development Report	World Bank

Components of Money Supply

M1	Consists of currency with the public (ie notes & coins in circulation minus cash with the banks) plus demand deposits with the bank (deposits which can be withdrawn without notice) plus other deposits with RBI (usually negligible). Also called narrow money
M2	M1 + saving deposits + Certificate of Deposits (CDs) + term deposits maturing within a year.
M3	M2 + term deposits with maturity more than a year + term borrowing of banking system. Also known as broad money.
L1	M3 + all Deposits with the Post Office Savings Banks (excluding National Savings Certificates)
L2	L1 + Term Deposits with Term Lending Institutions and Refinancing Institutions (FIs) + Term Borrowing by FIs+ Certificates of Deposit issued by FIs; and
L3	L2 + Public Deposits of Non-Banking Financial Companies

Four Modes of Services under GATT

Mode 1	Cross border trade, which is defined as delivery of a service from the territory of one country into the territory of other country;
Mode 2	Consumption abroad - this mode covers supply of a service of one country to the service consumer of any other country;
Mode 3	Commercial presence - which covers services provided by a service supplier of one country in the territory of any other country, and
Mode 4	Presence of natural persons - which covers services provided by a service supplier of one country through the presence of natural persons in the territory of any other country

Direct & Indirect Taxes

Direct Tax	Indirect Tax
Corporation Tax	Excise Duties
Income Tax	Service Tax
Interest Tax	Central Value Added Tax (Vat)
Expenditure Tax	Sales Tax
Wealth Tax	Property Tax
Gift Tax	Octroi
Estate Duty	Customs Duties
Land Revenue	Stamp Duties

Commissions/Committees & Their Purpose

Arjun Sen Gupta Committee	Public Sector Enterprise Autonomy
Rangarajan Committee	Disinvestment of PSUs & Balance of Payments.
Malhotra Committee	Insurance Sector & its regulation. Follow up led to setting up of IRDA.
Madhukar Committee	Gold exchange traded fund implementation.
L.C. Gupta Committee	Derivatives in India Model
Naresh Chandra Committee	Corporate Audit & Governance
JJ Irani Committee	Company Law

B. Bhattacharya Committee	Committee on pension reforms
Rakesh Mohan Committee	Small saving & Administered interest rates
Vijay Kelkar Committee	FRBM (fiscal responsibility & budget management) Act implementation
S.P. Gupta Committee	Generation of Employment opportunities in the 10plan.
Raghvan Committee	Replacement of MRTP act by competition act.
Eradi Panel	Industrial Insolvency.
M.S. Verma	Restructuring weak banks
Lakdawala Committee	Estimating Poverty line in India
Montek Singh Ahluwalia	Power Sector reforms
Rakesh Mohan Committee	Development of Infrastructure in India
Abid Hussain Committee	Small Scale Sector
Jha Committee	MODVAT
Vasudev Committee	NBFC
Omkar Goswami Committee	Industrial Sickness
G.V. Ramakrishna	Disinvestment Commission
Arvind Virmani	Import Tariff Reform
Vaghul Committee	Money Markets India reforms

FERA V/S FEMA

Violation of FERA was a criminal offence.	Violation of FEMA is a civil wrong.
Offences under FERA were not compoundable.	Offences under FEMA are compoundable.
Penalty was 5 times the amount involved.	Penalty is 3 times the sum involved.
Citizenship was a criteria to determine residential status of a person under FERA.	Stay in India for more than 182 days is the criteria to decide residential status.
There was only one Appellate Authority namely Foreign Exchange Regulation Appellate Board.	There are two appellate authorities namely 1. Special Director (Appeals) and 2. Appellate Tribunal for Foreign Exchange.

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Selected Terms

Revenue Deficit	Difference between revenue expenditure & revenue receipts
Budget Deficit	Difference between total expenditure & revenue receipts
Fiscal Deficit	Budget deficit plus non debt creating capital receipts
Primary Deficit	Fiscal deficit – Interest Payments.

FIPB	Foreign Investment Promotion Council
MIGA	Multilateral Investment Guarantee Agency

IMPORTANT MCQs**1. Increase in Bank Rate**

- a) increases the cost of borrowing by commercial banks
- b) declines the supply of money
- c) shows tightening of RBI monetary policy
- d) all the above

ANSWER: d) all the above

Exchange or other commercial papers. It also signals the medium-term stance of monetary policy. When bank rate is raised, it is expected that all interest rates will move together in the same direction.

2. Which of the following are features of amendments to the Companies Act

- 1. Removed limit for minimum capital required for formation
- 2. If a firm fails to repay the deposit or any interest it will be punishable with fine
- 3. All cases under the Companies Act cannot be tried by a special court and that only serious offenses will go to such courts

Which of the above statements is/are incorrect?

- a) 1,2
- b) 2,3
- c) 1,3
- d) All

ANSWER: d) All**3. Consider the following statements**

- 1. The Reserve Bank of India has asked all public sector banks, some private sector and foreign banks to appoint an internal ombudsman.
- 2. The internal ombudsman would be designated Chief Customer Service Officer (CCSO).
- 3. RBI has also made it clear that the CCSO should not have worked in the bank in which he/she is appointed as CCSO.

Which of the above statements are true?

- a) 1,2
- b) 2,3
- c) 1,3
- d) All the above

ANSWER: d) All the above

All public sector banks will have to appoint a Chief Customer Service Officer. The private sector and foreign banks which have been asked to appoint the CCSO are ICICI Bank, HDFC Bank, Axis Bank, Kotak Mahindra Bank, IndusInd Bank, Standard Chartered Bank, Citi Bank N.A. and HSBC. The Reserve Bank introduced the Banking Ombudsman Scheme (BOS) in 1995 to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services provided by commercial banks, regional rural banks and scheduled primary co-operative banks.

4. Which of the following agency is responsible for management of Chit funds?

- a) RBI
- b) Central government
- c) State governments
- d) SEBI

ANSWER: c) State governments

Chit funds in India are governed by the Chit Funds Act, 1982. Under this Act, the chit fund businesses can be registered and regulated only by the respective state governments.

5. Consider the following statements related to Bhartiya Mahila Bank

1. It is the only public sector bank in the country entirely owned by the government
2. This bank works exclusively for women

Which of the above statements is/are correct?

- a) Only 1
- b) Only 2
- c) Both
- d) None

ANSWER: a) Only 1

Although initially reported as a bank exclusively for women, the bank allows deposits to flow from everyone, but lending will be predominantly for women.

6. Consider the following statements related to FDI in retail

1. India allows 100% FDI in single-brand stores but imposed the requirement that the single brand retailer source 30 percent of its goods from India.
2. Government of India allowed 100% FDI in multibrand retail in India after approval from individual state

Which of the above statements is/are correct?

- a) Only 1
- b) Only 2
- c) Both
- d) None

ANSWER: c) Both

Government of India allowed 51% FDI in multibrand retail in India after approval from individual state

7. Consider the following statements

1. RBI allowed Infrastructure Debt Fund-Non Banking Financial Companies to invest in public private partnerships (PPPs) and infrastructure projects which have completed at least one year of satisfactory commercial operation.
2. The maximum exposure that an IDF-NBFC can take on individual projects will be at 50 per cent of its total capital funds.
3. An additional exposure up to 10 per cent could be taken at the discretion of the board of the IDF NBFC.

Which of the above statements are correct?

- a) 1,2
- b) 1,3
- c) 2,3
- d) All

ANSWER: d) All

The RBI could permit additional exposure up to 15 per cent (over 60 per cent) subject to such conditions as it may deem fit to impose regarding additional prudential safeguards.

8. Which of the following benefits from inflation?

- a) Lender
- b) Borrower
- c) Both
- d) None

ANSWER: b) Borrower

Inflation is a sustained increase in the general price level of goods and services in an economy over a period of time. Inflation redistributes wealth from creditors to debtors so borrower gets benefits

from

inflation

9. Which of the following is part of priority sector lending?

1. Agriculture
2. Micro, Small and Medium Enterprises
3. Export Credit
4. Education
5. Housing
6. Social Infrastructure
7. Renewable Energy

Codes:

- a) 1,2,5,7 b) 1,2,3,7 c) 1,3,4,5,6,7 d) 1,2,3,4,5,6,7--All

ANSWER: d) 1,2,3,4,5,6,7-----All

10. Consider the following statements about priority sector lending

1. All banks have to lend at least 40% of their net credit to the priority sector
2. Foreign banks with less than 20 branches will move to total priority sector target of 40 percent by 2019-20.

Which of the above statements are correct?

- a) Only 1 b) Only 2 c) Both d) None

ANSWER: c) Both

11. Consider the following statements about GST

1. Both Central and State taxes will be collected at the point of sale.
2. The Central and State GST will be charged on the manufacturing cost. Which of the above statements are correct?

- a) Only 1 b) Only 2 c) Both d) None

ANSWER: c) Both

12. Consider the following statements related to GST bill

1. The Centre will have one third weight in the GST Council while the states will have the remaining two thirds and decisions will have to be passed with 75% vote.
2. Petroleum and Alcohol is excluded from GST

Which of the above statements is/are correct?

- a) Only 1 b) Only 2 c) Both d) None

ANSWER: b) Only 2

GST is an indirect tax levy on manufacture, sale and consumption of goods as well as services at a national level. The decision to keep petroleum out of GST for the time being will also lower the revenue neutral rate (RNR), at which both the Centre and states will not make a loss. Alcohol will also be excluded from GST.

13. Consider the following statements related to SEZ

1. It is a duty free enclave to be treated as foreign territory for the purpose of trade operations and duties and tariffs.
2. The corporation in SEZs will not have to pay any income tax on their profits for the first five years and only 50% of the tax for 2 more years thereafter.
3. A SEZ does not require a license for exports.

Which of the above statements are true?

- a) 1,2 b) 2,3 c) 1,3 d) All the above

ANSWER: a) 1,2

A SEZ does not require a license for imports.

SEZ : Special Economic Zones Act, 2005, was passed by Parliament in May, 2005 and received Presidential assent on the 23rd of June, 2005. The act envisages that the SEZs would attract a large flow of foreign and domestic investment in infrastructure and productive capacity leading to generation of additional economic activity and creation of employment opportunities.

14. Consider the following statements

1. India's first new pulp line unit for production of bank note paper is established at Hoshangabad in Madhya Pradesh

2. It will eliminate the need to import its currency paper from Australia and Japan. Which of the above statements is/are correct?

- a) Only 1 b) Only 2 c) Both d) None

ANSWER: c) Both

It is the initiative under Make in India.

Union Finance Minister Arun Jaitley inaugurated the New Bank Note Paper Line unit of 6000 metric ton capacity at Security Paper Mill in Hoshangabad in Madhya Pradesh. He also flagged off the first consignment of one thousand rupee bank notes made indigenously from this paper mill to the Currency Note Press Nasik.

15. Countries or states which impose no tax or very low tax is called as

- a) Tax terrorism b) Tax Heavens
c) Tax Keepers d) Tax generators

ANSWER: b) Tax Heavens

A tax haven is a state, country or territory where, on a national level, certain taxes are levied at a low rate or not at all. It also refers to countries which have a system of financial secrecy in place.

16. What is MAT?

- a) Minimum Alternate Tax b) Maximum Alternate Tax
c) Multiple Alternate Tax d) None of the above

ANSWER: a) Minimum Alternate Tax

Minimum Alternate Tax (MAT) is direct tax system levied on companies having large profits and declaring substantial dividends to shareholders but are not paying corporate tax, by taking advantage of the various incentives and exemptions provided in the Income-tax Act.

17. Consider the following statements

1. The Index of Eight Core Industries (ICI) measures performance of eight infrastructure industries, viz Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity

2. It has the base year of 2004-05.

3. The Eight Core Industries comprise nearly 38 % of the weight of items included in the Index of Industrial Production (IIP).

Which of the above statements are correct?

- a) 1,2 b) 1,3 c) 2,3 d) All

ANSWER: d) All

18. Consider the following statements

1. The Financial Sector Legislative Reforms Commission (FSLRC) is a body set up by Ministry of

Finance in 2011, to review and rewrite the legal institutional architecture of the Indian financial sector.

2. This Commission is chaired by a former Judge of the Supreme Court of India, Justice B. N. Srikrishna

Which of the above statements are correct?

- a) Only 1 b) Only 2 c) Both d) None

ANSWER: c) Both

19. Which of the following is not advantage of full capital account convertibility ?

- a) Encourages import
b) Boosts exports
c) Easy access to forex
d) Promotes trade and capital flows between nations

ANSWER: a) Encourages import

20. Financial Sector Legislative Reforms Commission has various working groups dedicated to in depth analysis of different sectors. Match the pairs of different working groups and their chairman.

- | | |
|---|---------------------|
| i. Banking ----- | 1. P.J Nayak |
| ii. Insurance,Pension, Small saving ----- | 2. Dr. Govind Rao |
| iii. Public debt management ----- | 3. Jayant Verma |
| iv. Payment----- | 4. Dhirendra Swarup |
| v. Securities ----- | 5. K.J.Udshi |

- a) i-4 ,ii-3, iii-1, iv-2, v-3
b) i-3, ii-4, iii-2, iv-5, v-1
c) i-5, ii-4, iii-2, iv-1, v-3
d) i-5, ii-3, iii-2, iv-4, v-1

ANSWER: c) i-5, ii-4, iii-2, iv-1, v-3

21. Consider the following statements

1. GDR is a certificate issued by a depository bank, which purchases shares of foreign companies and deposits it on the account.
2. GDRs enable a company, the issuer, to access investors in capital markets outside of its home country.
3. Regulatory and other agencies suspect that GDR route is being used for bringing back suspected illicit funds stashed abroad.

Which of the above statements are correct?

- a) 1,2 b) 1,2,3 c) 2,3 d) 1,3

ANSWER: b

Explanation: GDR is a popular financial instrument used by listed companies in India, as also in many other countries, to raise funds denominated mostly in US dollar or euros. GDRs are typically bank certificates issued in more than one country for shares of a company, which are held by a foreign branch of an international bank.

22. Consider the following statements

1. Project Panchdeep, a unique health-care administration program aimed at automating healthcare services to over 6 crore beneficiaries spread across the country.
2. Infosys partnered with government for implementation of this project

Which of the above statements are not true?

- a) Only 1 b) Only 2 c) Both d) Neither

ANSWER: a

23. Consider the following statements

1. "Gyan Sangam" was seminar for banker was arranged by the Finance Ministry
2. S.S.Mundra Committee was set up for governance in banks.

Which of the above statements are not true?

- a) Only 1 b) Only 2 c) Both d) Neither

ANSWER: c

Explanation: Gyan Sangam was seminar for banker was arranged by the Finance Ministry while P.J.Nayak Committee was set up for governance in banks.

24. According to P.J.Nayak committee recommendations

1. Transfer of government shares in PSB to to Bank investment Company (BIC) so BIC will become Holding company and PSB banks became BIC's subsidiary companies.
2. Until BIC is formed Committee recommended formation of Bank Board Bureau Which of the above statements are true?

Which of the above statements are true?

- a) Only 1 b) Only 2 c) Both d) Neither

ANSWER: c

25. Which government introduced smart-card for unorganized sector workers?

- a) Gujarat b) Maharashtra c) Bihar d) Delhi

ANSWER: a

26. Which of the following city is not covered under "Char dham" Project?

- a) Kedarnath b) Badrinath c) Dwarka d) Gangotri

ANSWER: c

27. Under HRIDAY scheme which of the following city is not included?

- a) Puri b) Agra c) Patana d) Amravati

ANSWER: c

28. Currently base year for calculating GDP has been chaged. What is the new baseline year?

- a) 2008-09 b) 2010-11 c) 2011-12 d) 2007-08

ANSWER: c

29. Consider the following statements

1. The Mangala Area is a major oil field located in the Indian State of Rajasthan.
2. Cairn India is the operator of the field, a subsidiary of Cairn Energy.

Which of the above statements are correct?

- a) Only 1 b) Only 2 c) Both d) Neither

ANSWER: c

30. Consider the following statements

1. The newly constituted National Highway Infrastructure Development Corporation Limited, which is mandated to develop 10,000 km of roads in the country with a special focus on North-East, will award the first highway project in Meghalaya
2. The company is mandated to build 10,000 km of roads in the North-East (Assam, Meghalaya, Manipur, Nagaland, Mizoram, Tripura and Arunachal Pradesh) and Uttarakhand.

Which of the above statements are correct?

- a) Only 1 b) Only 2 c) Both d) Neither

ANSWER: c

31. Consider the following statements

1. The Reserve Bank of India and the European Central Bank have signed a memorandum of understanding for cooperation in the area of central banking.
 2. The Reserve Bank of India signed a Memorandum of Understanding (MoU) on "Supervisory Cooperation and Exchange of Supervisory Information" with Banco Central do Brasil (BCB).
- Which of the above statements are true?

- a) Only 1 b) Only 2 c) Both d) Neither

ANSWER: c

32. Consider the following statements and identify the right ones.

i. IMF came into existence as an outcome on Bretton Woods agreement

ii. France was the 1st country to borrow from IMF

- a. I only b. ii only c. both d. none

ANSWER: c. both

33. Consider the following statements and identify the right ones.

i. The executive board is the highest decision making body of IMF

ii. The Board of Governors meets twice a year.

- a. I only b. ii only c. both d. none

ANSWER: d. none

34. Consider the following statements and identify the right ones.

i. Executive board conducts the business of the IMF

ii. It meets once in a year

- a. i only b. ii only c. both d. none

ANSWER: a. I only

35. Consider the following statements and identify the right ones.

i. The day to day work of IMF is conducted by the board of governors

ii. Selected nations who are members of IMF are given a quota

- a. i only b. ii only c. both d. none

ANSWER: b. ii only

36. Consider the following statements and identify the right ones.

i. The quota does not decide voting power in IMF decisions

ii. Quota subscription constitutes most of the financial resources of IMF

- a. i only b. ii only c. both d. none

ANSWER: b. ii only

37. Consider the following statements and identify the right ones.

i. SDRs cannot voluntarily be exchanged among members for currencies

ii. US is the largest member of the IMF

- a. I only b. ii only c. both d. none

ANSWER: b. ii only

38. Which of the following is an institution of World Bank?

- a. IBRD b. IDA c. IFC d. All the above

ANSWER: d. All the above

World Bank has five institutions- IBRD, IDA, International Finance Corporation, MIGA and ISCID.

39. Consider the following statements and identify the right ones.

i. Low income countries are eligible to receive low interest loans from IDA ii. India is eligible for a blend of financial assistance from IDA and IBRD

- a. I only b. ii only c. both d. none

ANSWER: c. both

40. Which of the following is not an objective of World Bank?

- a. To provide guarantee on private loans
b. To develop production facilities in underdeveloped countries
c. To rehabilitate war ruined economies
d. None of the above

ANSWER: d. None of the above

41. Which of the following is known as soft loan window of the World Bank?

- a. IDA b. IFC c. IBRD d. MIGA

ANSWER: a. IDA

42. The investment arm of the world bank is

- a. IDA b. IFC c. IBRD d. MIGA

ANSWER: b. IFC

IFC was established in 1956. It is known as the investment arm of the World Bank.

43. The insurance arm of world bank is

- a. IDA b. IFC c. IBRD d. MIGA

ANSWER: d. MIGA

MIGA is known as the insurance arm of World Bank. It was established in 1988.

44. Consider the following statements and identify the right ones.

i. MIGA does not offers political risk insurance for projects to developing member countries
ii. MIGA also helps investors and lenders deal with investment risks

- a. i only b. ii only c. both d. none

ANSWER: b. ii only

MIGA offers political risk insurance for projects to developing member countries.

45. Consider the following statements and identify the right ones.

i. IFC is governed by board of governors
ii. It mobilizes capital in international capital markets

- a. i only b. ii only c. both d. none

ANSWER: c. both

International Finance Corporation is governed by board of governors who are represented by member countries.

46. Consider the following statements and identify the right ones.

i. ICSID is a multilateral treaty formulated by executive directors of IBRD

ii. All the countries have deposited their instruments of ratification, acceptance of the convention.

a. I only b. ii only c. both d. none

ANSWER: a. I only

Not all the countries have deposited their instruments of ratification, acceptance of the convention.

47. Consider the following statements and identify the right ones.

i. The head of WTO is known as director general

ii. The WTO summit is held once in very year

a. I only b. ii only c. both d. none

ANSWER: a. I only

The WTO summit is held once in two years. The summit is known as Ministerial Conference.

48. Which of the following is a part of capital account?

a. Private capital b. Banking capital
c. Official capital d. All the above

ANSWER: d. All the above

Capital account is classified into 3 parts in India private, banking and official capital.

49. Consider the following statements and identify the right ones.

i. A double entry system of record of all economic transactions between the residents of a country and rest of the world is called balance of trade

ii. All transactions related to goods, services or income are classified as capital account.

a. i only b. ii only c. both d. none

ANSWER: d. none

A double entry system of record of all economic transactions between the residents of a country and rest of the world is called balance of payments. All transactions related to goods, services or income are classified as current account.

50. The investment in productive assets and participation in management as stake holders in business enterprises is

a. FDI b. FII c. Balance of payment d. SDR

ANSWER: a. FDI

The investment in productive assets and participation in management as stake holders in business enterprises is foreign direct investment.

51. The portfolio investment by foreign institutional investors is called

a. FDI b. FII c. Balance of payment d. SDR

ANSWER: b. FII

The portfolio investment by foreign institutional investors is called foreign institutional investment.

52. Consider the following statements and identify the right ones.

i. India adopted LERMS in 1992

ii. In 1993, dual exchange rate system was replaced by a unified floating exchange rate.

a. i only b. ii only c. both d. none

ANSWER: c. both

Liberalized Exchange Rate Management System was a dual exchange rate system in which 40% of forex earnings were converted at official exchange rate and 60% at market determined exchange rate.

53. Which of the following is a union tax?

- a. Corporation tax
- b. Taxes on agricultural income
- c. Capitation taxes
- d. Land revenues

ANSWER: a. Corporation tax

Union taxes are given in the list of 7th schedule in the constitution.

54. Which of the following is not a union tax?

- a. Taxes on railway freights and fares
- b. Stamp duties on financial documents
- c. Tolls
- d. A and b only

ANSWER: d. A and b only

Taxes on railway freights and fares and Stamp duties on financial documents are union taxes while tolls are state tax

55. Consider the following statements and identify the right ones.

- i. Central government does not have exclusive power to impose tax which is not mentioned in state or concurrent list.
 - ii. The constitution also provides for transferring certain tax revenues from union list to states.
- a. i only
 - b. ii only
 - c. both
 - d. none

ANSWER: b. ii only

Central government has exclusive power to impose tax which is not mentioned in state or concurrent list.

56. The tax levied by the union government on income of individuals is known as:

- a. Personal income tax
- b. Interest tax
- c. Wealth tax
- d. Corporation tax

ANSWER: a. Personal income tax

It is based on the principle of ability to pay. The tax levied by the union government on income of individuals is known as income tax.

57. The tax on net income of companies is:

- a. Personal income tax
- b. Interest tax
- c. Wealth tax
- d. Corporation tax

ANSWER: d. Corporation tax

The tax on net income of companies is corporate tax. Tax rates are uniform for all categories of companies.

58. Consider the following statements and identify the right ones.

- i. Wealth tax is collected from productive as well as unproductive assets
 - ii. Estate duty was a type of inheritance tax of large estates
- a. i only
 - b. ii only
 - c. both
 - d. none

ANSWER: b. ii only

Wealth tax is collected from unproductive assets only. Estate duty was abolished in 1985.

59. Which of the following taxes is/are withdrawn or abolished?

- a. Interest tax
- b. Estate duty
- c. Gift tax
- d. All the above

ANSWER: d. All the above

Interest tax was withdrawn in 2000-01, estate duty abolished in 1985 and gift tax in 1998-99.

60. The most important source of revenue to the states is:

- a. Sales tax b. Service tax c. Excise duty d. None of the above

ANSWER: a. Sales tax

Sales tax is the tax on sale of goods and is influenced by the value added tax system.

61. The tax levied on the interstate trade of goods is:

- a. Sales tax b. Excise tax c. Service tax d. Central sales tax

ANSWER: d. Central sales tax

The tax levied on the interstate trade of goods is the central sales tax.

62. Consider the following statements and identify the right ones.

- i. The 14th finance commission is headed by C. Rangarajan
ii. The recommendations of the commission will come into effect from April, 1, 2015
a. i only b. ii only c. both d. none

ANSWER: b. ii only

The 14th finance commission was appointed in 2013. It is headed by Y V Reddy.

63. The difference between revenue expenditure and revenue receipts is

- a. Revenue deficit b. Fiscal deficit
c. Budget deficit d. Primary deficit

ANSWER: a. Revenue deficit

64. The difference between revenue deficit and grants for creation of capital assets is called

- a. Fiscal deficit b. Budget deficit
c. Effective revenue deficit d. Primary deficit

ANSWER: c. Effective revenue deficit

Effective revenue deficit = revenue deficit - grants for creation of capital assets.

65. The difference between total expenditure and total receipts except loans and other liabilities is called

- a. Fiscal deficit b. Budget deficit
c. Primary deficit d. Revenue deficit

ANSWER: a. Fiscal deficit

Fiscal deficit = total expenditure - total receipts except loans and other liabilities.

66 The difference between fiscal deficit and interest payment during the year is called

- a. Fiscal deficit b. Budget deficit
c. Primary deficit d. Revenue deficit

ANSWER: c. Primary deficit

Primary deficit = fiscal deficit - interest payments.

67. A decrease in Cash Reserve Ratio (CRR) can lead to which among the following ?

1. increase in cash availability of the banks
2. increase in repo rate
3. decrease in SLR

Select the correct answer using the codes given below.

- a) 1 only b) 1 and 2 only c) 1 and 3 only d) 1, 2 and 3

ANSWER: a) 1 only.

68. The WTO follows the principle of 'self selection'. This means :

- a) countries decides to which agreement they want to be party.
- b) countries decide the rate of tariff and tariff reduction
- c) countries themselves decide whether they want to be in developed or developing categories.
- d) None of the above

ANSWER: C

Countries themselves decide whether they want to be in developed or developing categories. There are no WTO definitions of "developed" or "developing" countries. Developing countries in the WTO are designated on the basis of self-selection although this is not necessarily automatically accepted in all WTO bodies.

69. Which of the following also acts as a mechanism for government lending.

- 1. CRR
- 2. Repo rate
- 3. Reverse repo rate
- 4. SLR

Codes:

- a) 1 and 3 only
- b) 1, 2 and 4 only
- c) 1 and 4 only
- d) 4 only

ANSWER: d) 4 only.

SLR, statutory liquidity ratio is the amount of money that is invested in certain specified securities predominantly central government and state government securities. Investing in government securities by bank is one way of fulfilling the requirement of SLR. In this way, SLR acts as a lending mechanism to government. Repo rate is a rate at which banks borrow from RBI for short periods up to 7 or 14 days but predominantly overnight.

71. With reference to foreign portfolio investments (FPI), consider the following statements:

- 1. FPIs are more volatile than loans from international financial institutions.
 - 2. Foreign Direct Investments are part of FPIs. Which of the statements given above is/are correct ?
- a) 1 only b) 2 only c) Both 1 and 2 d) Neither 1 nor 2

ANSWER: a) 1 only.

FPI is also called Foreign institutional Investments (FIIs). Because of their volatility they are also called hot money. Loans from international financial institutions are given for a fixed tenure and hence are stable. FDI is not part of FPI, but are accounted separately.

72. India's central bank, RBI performs various functions. Which of these are its functions according to the RBI act, 1934.

- 1. managing inflation
 - 2. acting as banker's bank
 - 3. managing India's Forex
 - 4. handling government's borrowing program
- Select the correct answer using the codes given below.

- a) 2, 3 and 4 only
- b) 1, 2 and 3 only
- c) 2 and 3 only
- d) 1, 2, 3 and 4

ANSWER: d) 1, 2, 3 and 4.

73. Which among the following can result in 'demand pull inflation' ?

- 1. increase in subsidy on LPG
- 2. increase in fuel prices

3. decrease in income tax rates

- a) 1 and 2 only
c) 2 and 3 only
- b) 1 and 3 only
d) 1, 2 and 3

ANSWER: b) 1 and 3 only.

Increase in subsidy of LPG will reduce the pocket expenditure of people on LPG, making more money available with them, thereby increasing demand and pulling inflation. Similar will be the effect of decrease of income tax rates – more money availability. Increase in fuel prices will lead to cost-push inflation.

74. The term 'narrow banking' is best described as:

- a) banks acting only as payment banks
- b) banking by non-banking financial companies
- c) limited areas of operation by banks
- d) banks lending only to risk free sectors

ANSWER: d) banks lending only to risk free sectors.

75. If indirect taxes in an economy are increased, then which of the following can occur ?

1. GDP at factor cost increases
2. GDP at factor cost decreases
3. GDP at market price increases
4. GDP at market price decreases

- a) 1 only b) 2 and 3 only c) 3 only d) 4 only

ANSWER: c) 3 only.

GDP (market price) = GDP (factor cost) + indirect taxes – subsidies. This equation makes it clear that any increase in indirect taxes will increase the GDP at market prices.

76. Equity market instruments help in financing a firm. Which of these is/are equity market instruments ?

1. Bonds
2. Shares
3. Debentures

Codes:

- a) 1 and 2 only b) 2 only c) 2 and 3 only d) 1, 2 and 3

ANSWER: b) 2 only.

77. An economy pursuing an expansionary fiscal policy can witness :

1. increase in fiscal deficit
2. increase in wages of labour
3. increase in rate of income tax

Select the correct answer using the codes given below.

- a) 1 only b) 1 and 2 only c) 1 and 3 only d) 1,2 and 3

ANSWER: a) 1 only.

Expansionary fiscal policy is a macroeconomic policy that seeks to expand the money supply to encourage economic growth or combat inflation (price increases). One form of expansionary policy is fiscal policy, which comes in the form of tax cuts, rebates and increased government spending. Expansionary policies can also come from central banks, which focus on increasing the money supply in the economy. Such a fiscal policy will increase the expenditure, thereby increasing fiscal deficit. Increase in wages of labour is unrelated. There can be a decrease (not increase) in income tax rates, so statement 3 is false.

78. Fiscal consolidation is one of the objectives of India's economic policy. Which of the following would help in fiscal consolidation ?

1. increasing taxes
2. getting more loans
3. reducing subsidies

a) 1 and 2 only b) 1 and 3 only c) 2 and 3 only d) 1, 2 and 3

ANSWER: b) 1 and 3 only.

Fiscal consolidation is a reduction in the underlying fiscal deficit. So, by increasing revenues and decreasing expenditure, we can undertake fiscal consolidation. While getting more loans may increase receipts, it will not help in fiscal consolidation as that loan has to be repaid back along with interest. So loans add more to the expenditure than it contributes to receipts. Increasing taxes and reducing subsidies will of course increase revenues and decrease expenditure respectively contributing to fiscal consolidation.

79. With reference to pulses, consider the following statements :

1. India is the largest producer of pulses.
2. India imports pulses to meet its domestic demand. Which of the statements given above is/are correct ?

a) 1 only b) 2 only
c) Both 1 and 2 d) Neither 1 nor 2

ANSWER: c) Both 1 and 2.

India is the world's largest producer and consumer of pulses. It imports about 3.5 million tonnes of pulses every year from the U.S., Australia, Myanmar, East Africa and Ukraine, besides Canada to meet its domestic demand.

80. The government provides subsidies in various sectors. Which of the following are the effects of subsidies ?

1. it increases inflation
2. it increases fiscal deficit
3. it decreases export competitiveness

a) 1 and 2 only b) 2 only c) 2 and 3 only d) 1, 2 and 3

ANSWER: b) 2 only.

There is no direct relation between subsidies given and inflation. It may increase inflation (eg. subsidies on LPG helping people save more thus increasing their capacity which can cause demand pull inflation.) or decrease inflation by making accessible low cost subsidized goods. Subsidies of course increases fiscal deficit. Subsidies INCREASES not decreases export competitiveness of goods as it decreases their cost of production.

81. The Fiscal Responsibility and Budget Management (FRBM) Act aimed for:

1. eliminating both revenue deficit and fiscal deficit
2. giving flexibility to RBI for inflation management

Which of the statements given above is/are correct ?

a) 1 only b) 2 only c) Both 1 and 2 d) Neither 1 nor 2

ANSWER: b) 2 only.

FRBM Act had the objective of ensuring prudence in fiscal management by eliminating revenue deficit, REDUCING (and not eliminating) fiscal deficit, establishing improved debt management and improving transparency in a medium term framework with quantitative targets to be adhered by the state with regard

to deficit measures and debt management. The act was also expected to give necessary flexibility to Reserve Bank of India (RBI) for managing inflation in India.

82. With reference to deficit financing, monetized deficit is the part that is financed through:

- a) borrowings from public sector scheduled commercial banks
- b) external commercial borrowings
- c) borrowings from RBI
- d) none of the above

ANSWER: c) borrowings from RBI.

Monetized deficit indicates the level of support extended by the Reserve Bank of India to the government's borrowing programme. Since borrowings from Reserve Bank of India directly add to money supply, this measure is termed monetized deficit. It is obvious that monetized deficit is only a part of fiscal deficit.

83. All banks are mandated to lend to priority sector. Which of the following would come under Priority Sector Lending (PSL) ?

- 1. Loans to corporations
- 2. Loans to Self Help Groups
- 3. Loans to small and marginal farmers
- 4. Loans to state government

- a) 1 and 2 only b) 1 and 3 only c) 2 and 3 only d) 2,3 and 4 only

ANSWER: c) 2 and 3 only.

Priority sector refers to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation. Typically, these are small value loans to farmers for agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections. So, loans to corporations and state government does not come under PSL.

84. Consider the following statements about Index of Industrial Production (IIP)

- 1. It is released monthly by Central Statistical Organisation (CSO)
- 2. It shows the volume of industrial activity.

Which of the statements given above is/are correct ?

- a) 1 only b) 2 only c) Both 1 and 2 d) Neither 1 nor 2

ANSWER: a) 1 only.

IIP or the index of industrial production is the number denoting the condition of industrial production during a certain period (month for eg.). It does not show the volume of industrial activity but only its growth with respect to a reference period. As IIP shows the status of industrial activity, one can find out if the industrial activity has increased, decreased or remained same.

85. Financial market is classified into money market and capital market. Which of these are money market instruments ?

- 1. T-Bills
- 2. Preference shares
- 3. Commercial papers

- a) 1 and 2 only b) 1 and 3 only
- c) 2 and 3 only d) 1,2 and 3

ANSWER: b) 1 and 3 only.

The short-term debts and securities sold on the money markets—which are known as money market instruments—have maturities ranging from one day to one year and are extremely liquid. The Treasury bills are short-term money market instrument that mature in a year or less than that. Commercial Paper is short-term loan that is issued by a corporation use for financing accounts receivable and inventories.

Preference shares are capital market instrument.

86. Suppose you went to a restaurant and paid certain taxes. which of these would be considered an indirect tax ?

1. Service tax paid for lunch

2. Tip given to waiter

3. VAT paid

a) 1 and 2 only

b) 1 and 3 only

c) 2 and 3 only

d) 1, 2 and 3

ANSWER: b) 1 and 3 only.

Indirect Taxes are not levied on individuals, but on goods and services. Customers indirectly pay this tax in the form of higher prices. Some of the significant indirect taxes include Value Added Tax, Service Tax Central Sales Tax, Central Excise Duty, Customs Duty, stamp duties and expenditure tax. Tip given to waiter goes into their unofficial income and is therefore not accounted for taxing purpose :)

87. The expenditure in India is classified as capital and revenue. Which of the following is/are revenue expenditure ?

1. interest payments on debt

2. loans granted by central government

3. subsidies

Select the correct answer using the codes given below.

a) 1 and 2 only

b) 1 and 3 only

c) 2 and 3 only

d) 1, 2 and 3

ANSWER: b) 1 and 3 only.

Revenue expenditure is for the normal running of Government departments and various services, interest payments on debt, subsidies, etc. Broadly the expenditure which does not result in creation of assets for Government of India is treated as revenue expenditure. Loans granted by central government are capital expenditure.

88. Receipts in budget can be capital or revenue. Which of these is/are capital receipts?

1. Loan recoveries

2. Provident funds deposits

3. Grants

a) 1 and 2 only

b) 1 and 3 only

c) 2 and 3 only

d) 1, 2 and 3

ANSWER: a) 1 and 2 only.

Loan recoveries are the money, which the government had lent out in past, their capital comes back to the government when the borrowers repay them as capital receipts. long-term capital accruals to the government through the Provident Fund (PF), Postal Deposits, various small saving schemes (SSSs) and the government bonds sold to the public (as Indira Vikas Patra, Kisan Vikas Patra, Market Stabilization Bond, etc.) are also capital receipts. Grants are revenue receipts.

89. If a government is unable to pass the budget in Lok Sabha, then:

a) a totally new budget is presented.

b) the budget is revised and presented again.

c) the government has to resign.

d) none of the above

ANSWER: c) the government has to resign.

90. With reference to contribution from taxes, consider the following statements:

1. Contribution from direct taxes is more than that from indirect taxes.

2. Corporation tax is the largest contributor.

Which of the statements given above is/are correct ?

a) 1 only

b) 2 only

c) Both 1 and 2

d) Neither 1 nor 2

ANSWER: c) Both 1 and 2.

91. The Economic Survey is compiled by:

a) Office of economic advisor.

b) Central Statistical office (CSO)

c) National Sample Survey Organization (NSSO)

d) Department of economic affairs.

ANSWER: d) Department of economic affairs.

The Economic Survey is compiled by Department of economic affairs, Ministry of Finance. Office of economic advisor publishes WPI, while CSO publishes IIP and CPI.

92. Gross capital formation will increase if:

1. gross domestic savings increases

2. gross domestic consumption increases

3. GDP increases

Select the correct answer using the codes given below.

a) 1 only

b) 1 and 2 only

c) 1 and 3 only

d) None

ANSWER: d) None.

Gross capital formation, in simple terms is equivalent to investment made. It was earlier called gross domestic investment. The part of GDP that is used is called gross domestic consumption, while the part that is saved is gross domestic savings (GDS). Some part of this GDS will be re-invested back, and that is called gross capital formation. Now, an increase in GDP or GDS will not necessarily lead to an increase in capital formation. Because how much is invested back will depend on many other factors.

93. Consider the following statements:

1. India's GDP is more than its GNP.

2. Net Factor Income from Abroad (NFIA) is positive for India.

Which of the statements given above is/are correct?

a) 1 only

b) 2 only

c) Both 1 and 2

d) Neither 1 nor 2

ANSWER: a) 1 only.

GNP = GDP + NFIA. India's NFIA is negative. Thus India's GDP is more than its GNP. NFIA = Factor income earned from abroad by residents – Factor income of nonresidents in domestic territory.

94. Integrated Child Development Services (ICDS) Scheme aims to provide many services to children that includes:

1. school education

2. Nutrition support

3. Immunization

Select the correct answer using the codes given below.

a) 1 and 2 only

b) 1 and 3 only

c) 2 and 3 only

d) 1, 2 and 3

ANSWER: c) 2 and 3 only.

ICDS provides Supplementary nutrition, Immunization, Primary healthcare (Health check-up, referral

services.) and preschool education to children under 6 years of age and their mothers.

95. Gross budgetary support means:

- a) centre's contribution to budget
- b) expenditure in budget on social schemes
- c) assistance provided by the Centre to five year plan.
- d) none of the above

ANSWER: c) assistance provided by the Centre to five year plan.

The Government's support to the Central plan is called the Gross Budgetary Support. In the recent years the GBS has been slightly more than 50% of the total Central Plan. The share of the GBS in Central Plan has been rising since 2008-09.

96. Consider the following data:

- 1. Revenue deficit (RD) = 3% of GDP |
- 2. Grants for capital formation = 1.8% of GDP
- 3. Primary deficit (PD) = 1.2%
- 4. Non-plan expenditure = 1.5%

In the above scenario, effective revenue deficit (ERD) will be:

- a) 1.2%
- b) 1.5%
- c) 1.8%
- d) cannot be calculated

ANSWER: a) 1.2%.

ERD = RD - Grants for capital formation.

Therefore, here $ERD = 3\% - 1.8\% = 1.2\%$. The rest two data about primary deficit and non-plan expenditure is not needed to calculate ERD. Effective Revenue was first introduced in the Union Budget 2011-12. While revenue deficit is the difference between revenue receipts and revenue expenditure, this accounting system includes all grants from the Union Government to the state governments as revenue expenditure, even if they are used to create assets. Such revenue expenditures contribute to the growth in the economy and therefore, should not be treated as unproductive in nature.

97. Which of the following interest rates is still regulated?

- 1. Savings account interest rate
- 2. Fixed deposit interest rate
- 3. Current account interest rate

Select the correct answer using the codes given below.

- a) 1 only
- b) 1 and 2 only
- c) 3 only
- d) None

ANSWER: d) None.

All the interest rates in India have been deregulated. The last one was savings interest rate which was deregulated in 2011.

98. In India, which of the following is/are a mechanism of deficit financing?

- 1. Borrowing from RBI.
- 2. Borrowing from commercial banks.
- 3. Issuing fresh currency notes.

Select the correct answer using the codes given below.

- a) 1 and 2 only
- b) 1 and 3 only
- c) 2 and 3 only
- d) 1, 2 and 3

ANSWER: b) 1 and 3 only.

Deficit financing is a method of meeting government deficits through the creation of new money. The deficit is the gap caused by the excess of government expenditure over its receipts. Deficit financing in India is done by – 1. Withdrawal of past accumulated cash balances 2. Borrowing from RBI 3. Issuing fresh currency notes. Borrowing from commercial banks is not a part of deficit banking.

99. International Development Association (IDA) is called the 'soft' window of the World Bank (WB) because:

- a) it lends for software and It development b) taking loans from it is very easy
c) its loans are interest free d) none of the above

ANSWER: c) its loans are interest free.

Very important point to remember about IDA. Its loans are interest free (only administrative cost is charged). Further, the repayment period is very long like 35-40 years and the repayment starts after 10 years of taking loans. This way, it helps the developing countries to focus on development without worrying about paying back of loan quickly.

100. Development expenditure would include:

1. expenditure on building roads.
2. debt service liabilities.
3. grants-in-aid.

Select the correct answer using the codes given below.

- a) 1 and 2 only b) 1 and 3 only c) 2 and 3 only d) 1, 2 and 3

ANSWER: b) 1 and 3 only.

Simple question. Building roads, grants-in-aid is part of development expenditure. Money spent on servicing debt would not lead to development hence 2 is not part of development expenditure.

101. With reference to narrow money, consider the following statements :

1. They are highly liquid.
2. Banks run their lending programme mainly with this money.

Which of the statements given above is/are correct ?

- a) 1 only b) 2 only c) Both 1 and 2 d) Neither 1 nor 2

ANSWER: a) 1 only.

Narrow money = currency with public + demand deposit with banks + "other" deposits with RBI. It is denoted by M1. It is highly liquid. Now, banks cannot carry their lending program with such highly liquid money as they have to return it pay when required by depositor. For eg. demand deposit is a part of M1. Banks have to return the demand deposit immediately if the depositor demands it. But if bank had lent that money to others, it cannot return it. So, the lending program is mainly carried by such money which is less liquid, like broad money (M3). So, statement 2 is incorrect.

100 people went for a job in a company. The company told them that while there is a vacancy, none of them posses the skill required for the job. What kind of unemployment would this be called?

- a) disguised unemployment b) structural unemployment
c) cyclical unemployment d) none of the above

ANSWER: b) structural unemployment.

Structural unemployment is a category of unemployment arising from the mismatch between the jobs available in the market and the skills of the available workers in the market. So when people cannot be employed because they do not possess the requisite skills it is called structural unemployment.

102. Credit Default Swaps (CDS) can be beneficial for an economy as they:

- a) helps in redistribution of loans.
- b) Enhance investment opportunities
- c) leads to loan waivers.

Select the correct answer using the codes given below.

- a) 1 and 2 only b) 1 and 3 only c) 2 and 3 only d) 1, 2 and 3

ANSWER: a) 1 and 2 only.

CDS is a tool to transfer and manage credit risk. If giving credit (like lending) is made less risky by CDS, it would definitely increase the investor's interest thus enhancing investment opportunities. So statement 1 and 2 are correct. CDS does not waive off loans, it just redistributes the risk of lending. Even if you had no idea about CDS, you still could have got the ans, by eliminating statement 3 as any kind of loan waiver is never good for economy.

103. Twin deficit in a economy means:

- a) high current account deficit and high fiscal deficit.
- b) High capital account deficit and high fiscal deficit.
- c) High current account deficit and high capital account deficit.
- d) High budget deficit and high fiscal deficit.

ANSWER: a) high current account deficit and high fiscal deficit.

Economies that have both a fiscal deficit and a current account deficit are often referred to as having "twin deficits." Higher twin deficit is inherently destabilizing and was the primary reason why India faced a currency crisis back in 1991. Higher current account deficit means higher demand for foreign currency, which results in depreciation of the domestic currency. It also discourages capital inflow and leads to capital flight from the country. Higher fiscal deficit, apart from affecting savings and growth, affects business confidence.

104 . The current account of the balance of payments (BoP) includes:

- a) foreign aid.
- b) Foreign institutional investments.
- c) Remittances.

Select the correct answer using the codes given below.

- a) 1 and 2 only
- b) 1 and 3 only
- c) 3 only
- d) 2 and 3 only

ANSWER: b) 1 and 3 only.

Foreign institutional investment (FII) are part of capital account. Remittances and foreign aid (under the heading of transfers) come under current account.

105. Which of the following prices is/are fixed by the central government?

- a) Maximum Retail Price (MRP)
- b) Minimum Support Price (MSP)
- c) Fair and Remunerative Price (FRP)

Select the correct answer using the codes given below.

- a) 1 and 2 only
- b) 1 and 3 only
- c) 2 only
- d) 2 and 3 only

ANSWER: d) 2 and 3 only.

MSP is fixed by the central govt (CG) on the recommendations of the Commission on Agricultural Cost and Prices (CAPC). FRP is for sugar, which is fixed by the central government. It is normally higher than MSP, but serves the same purpose of providing a guarantee to sugarcane farmers that their produce will be bought at a given price. FRP is the existing arrangement for the price to be paid to sugarcane farmers by the Sugar Mills and is announced each year by the Centre, under the Sugarcane Control Order and on the advice of Commission for Agricultural Costs and Prices (CACPC), as the minimum price of sugarcane. However, many states in north India also announce a State Advised Price (SAP) under state legislation. Generally, the SAP is substantially higher than the FRP, and therefore wherever SAP is declared, it is the ruling price. Mill owners are obligated to pay SAP to farmers. MRP is fixed by manufacturers. However, government can play a regulatory and advisory role in fixing of MRP.

106. Consider the following statements about Securities Transaction Tax (STT)

- 1. The point of incidence and impact of STT is not same.
- 2. Government securities are exempted from STT.

Which of the statements given above is/are correct ?

- a) 1 only b) 2 only c) Both 1 and 2 d) Neither 1 nor 2

ANSWER: b) 2 only.

The **first** statement might look a bit complicated to understand. But essential what it is saying is that STT is an indirect tax, which is incorrect as STT is a direct tax. An indirect tax is whose point of incidence (i.e where it is applied) and impact (those who are affected by it) is not same, like VAT. In VAT, it seems that producers, wholesalers, retailers are paying the tax, but actually its the consumer who in getting impacted. But in case of direct tax both point of incidence and impact is same, like income tax, STT etc. UPSC often uses definition of term (instead of using the term itself) to make a question confusing.

107. The term 'micro-finance' frequently appears in newspapers. Micro-finance includes:

- a) small loans
b) small deposits
c) money transfer
d) payment services

Select the correct answer using the codes given below.

- a) 1, 2 and 3 only b) 1, 3 and 4 only
c) 2, 3 and 4 only d) 1, 2, 3 and 4

ANSWER: d) 1, 2, 3 and 4.

Microfinance refers to a variety of financial services that target low-income clients. Since the clients of microfinance institutions (MFIs) have lower incomes and often have limited access to other financial services, microfinance products tend to be for smaller monetary amounts than traditional financial services. These services include loans, savings, insurance, and remittances (payments). So, microfinance is not limited to loans and deposits only, it includes other financial services also.

108. Consider the following statements about International Finance Corporation:

1. It is known as the private arm of the world bank.
2. It lends money to private sector companies of all countries.

Which of the statements given above is/are correct?

- a) 1 only b) 2 only c) Both 1 and 2 d) Neither 1 nor 2

ANSWER: a) 1 only.

IFC lends money to private sector companies of its member countries only and not all countries.

109. Inclusive growth is an important objective of the development process. In this context, which of the following would amount to inclusive growth?

1. Poverty reduction.
2. Disinvestment.
3. Good governance.
4. Skill building.

Select the correct answer using the codes given below.

- a) 1, 2 and 3 only b) 1, 3 and 4 only
c) 2, 3 and 4 only d) 1, 2, and 4 only

ANSWER: b) 1, 3 and 4 only.

111. Which of the following is/are a part of the participatory development process?

1. State
2. NGOs
3. Pressure groups
4. Cooperatives

Select the correct answer using the codes given below.

- a) 1, 2 and 3 only b) 1, 3 and 4 only

c) 2,3 and 4 only

d) 1,2, 3 and 4

ANSWER: d) 1, 2, 3 and 4.

113. The mandate of the 14th finance Commission includes suggesting:

1. Mechanism for pricing of public utilities.
2. The implementation process for GST.
3. Fiscal consolidation measures.

Select the correct answer using the codes given below.

a) 1 and 2 only

b) 1 and 3 only

c) 2 and 3 only

d) 1, 2 and 3

ANSWER: d) 1, 2 and 3.

114. Which of the following is/are used as an indicator in calculating Multidimensional Poverty Index (MPI)?

1. Maternal mortality
2. Nutrition
3. Access to electricity
4. Access to telephone

Select the correct answer using the codes given below.

a) 1, 2 and 3 only

b) 1, 3 and 4 only

c) 2 and 3 only

d) 1, 2, and 4 only

ANSWER: c) 2 and 3 only.

115. India maintains buffer stocks of food grains. The buffer stocks helps in:

1. Providing food security
2. Incentivizing farmers
3. Stabilizing prices
4. Running PDS

Select the correct answer using the codes given below.

a) 1, 2 and 3 only

b) 1,3 and 4 only

c) 2,3 and 4 only

d) 1,2, and 4 only

ANSWER: b) 1,3 and 4 only.

Incentivizing farmers – This is done by announcing the minimum support prices (MSP) and other schemes like price stabilization fund schemes for plantation crops. The buffer stocks helps in providing food through the PDS, thus ensuring food security. It also acts as a cushion during price rises due to shortfall, thus helping in stabilizing prices.

116. Consider the following economy traits :

1. Prolonged increase in demand
2. Heating up of economy
3. Demand-supply lag

They are the characteristic feature of which phase of business/economy cycle?

a. Recession

b. Depression

c. Recovery

d. Boom

ANSWER: d) Boom.

117. The Kudumbashree program by the Kerala government works in the area of:

1. Reducing maternal mortality
2. Providing micro credit
3. Enhancing entrepreneurship
4. Providing housing

Select the correct answer using the codes given below.

- a) 1 and 2 only b) 1,3 and 4 only
c) 2 and 3 only d) 1,2, and 4 only

ANSWER: c) 2 and 3 only.

Kudumbashree was launched by the Government of Kerala in 1998 for wiping out absolute poverty from the State through concerted community action under the leadership of Local Self Governments. It is built around three critical components – 1. micro credit, 2. entrepreneurship and 3. empowerment. The Kudumbashree initiative has succeeded in addressing the basic needs of the less privileged women, thus providing them a more dignified life and a better future. Literal meaning of Kudumbashree is prosperity (shree) of family (Kudumbam).

118.The Price stabilization fund will support the procurement of:

1. Onion
2. Groundnut
3. Potato
4. Rice

Select the correct answer using the codes given below.

- a) 1 and 2 only b) 1 and 3 only
c) 2 and 3 only d) 1 and 4 only

ANSWER: b) 1 and 3 only.

119 . The National Food Security Mission (NFSM) aims to enhance the production of:

1. rice
2. wheat
3. fruits
4. vegetables
5. pulses
6. coarse cereals

Select the correct answer using the codes given below.

- a) 1, 2, 3 and 4 only b) 1,2 and 5 only
c) 1, 2,3 and 5 only d) 1,2, 5 and 6 only

ANSWER: d) 1, 2, 5 and 6 only.

The National Development Council (NDC) in its 53rd meeting held on 29th May, 2007 adopted a resolution to launch a Food Security Mission comprising rice, wheat and pulses to increase the production of rice by 10 million tons, wheat by 8 million tons and pulses by 2 million tons by the end of the Eleventh Plan (2011-12).

120. Which of the following schemes has an impact on women empowerment?

1. ICDS
2. ASIDE
3. Swadhar
4. Ujjawala

Select the correct answer using the codes given below.

- a) 1, 2 and 3 only b) 1,3 and 4 only
c) 2,3 and 4 only d) 1,2, 3 and 4

ANSWER: b) 1, 3 and 4 only.

ASIDE – Assistance to States for Developing Export Infrastructure and other Allied Activities. The objective of the scheme is to involve the states in the export effort by providing financial assistance for the creation of critical infrastructure for the development and growth of exports. The Swadhar Scheme purports to address the specific vulnerability of each of group of women in difficult circumstances through a Home-based holistic and integrated approach. 'Ujjawala' is a comprehensive scheme for the prevention of trafficking, rescue and rehabilitation of women and child victims of trafficking for commercial sexual

exploitation in India. ICDS is well known. So, except ASIDE, all others have an impact on women empowerment

121. Bringing Green Revolution to eastern India is a sub scheme of:

- a. National Mission on Agriculture Extension and Technology
- b. National Mission for sustainable agriculture
- c. Rashtriya Krishi Vikas Yojana

ANSWER: c) Rashtriya Krishi Vikas Yojana.

123. Which of the following schemes is/are financed by National Investment Fund:

- 1. JNNURM
- 2. NREGS
- 3. AIBP

Select the correct answer using the codes given below.

- a) 1 only
- b) 2 only
- c) 3 only
- d) none of the above

ANSWER: d) None.

124. The objective of the Green energy Corridor is to:

- a. create special industrial zones which will be powered by renewable energy.
- b. fund geothermal based energy projects.
- c. facilitate the flow of renewable energy into the national power grid.
- d. none of the above.

ANSWER: c) facilitate the flow of renewable energy into the national power grid.

125. With reference to Special Economic Zone (SEZ), consider the following statements :

- 1. SEZs have full freedom for subcontracting.
- 2. They are exempted from routine examination by custom authorities.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

ANSWER: c) Both 1 and 2.

127. Which of the following is a reason for inflation?

- 1. Deficit financing
- 2. Growth in per capita income
- 3. Structural deficiencies
- 4. All the above

ANSWER: d. All the above

128. Which of the following is an effect of inflation?

- a. Erosion in purchasing power
- b. Affects relative price of goods
- c. Increase in inequalities of income
- d. All the above

ANSWER: d. All the above

129. Consider the following statements and identify the right ones.

i. Government can reduce indirect taxes to control inflation

ii. There is trade-off between growth and inflation in India

- a. i only
- b. ii only
- c. both
- d. none

ANSWER: : c. both

Growth cannot be sustained in inflationary situation for a long time and inflation is bound to be high with high growth rates.

130. Which of the following is not a reason for inflation?

- a. Increase in administered prices
- b. Increase in cost of capital
- c. More dependence on indirect taxes for revenue
- d. None of these

ANSWER: d. None of these

131. Which of the following can be undertaken to control inflation?

- a. Control on public expenditure
- b. Control on hoarding and black marketing
- c. Effective control on credit
- d. All the above

ANSWER: d. All the above

Inflation can be controlled using monetary, fiscal and other measures.

132. Consider the following statements and identify the right ones.

- i. For measuring overall inflation in the economy, CPI is used.
 - ii. WPI was first published in 1942 for 23 commodities
- a. i only b. ii only c. both d. none

ANSWER: b. ii only

For measuring overall inflation in the economy, WPI is used. WPI was first published in 1942 for 23 commodities.

133. The base year used for WPI is:

- a. 1993-94
- b. 2001-02
- c. 2004-05
- d. 2014-15

ANSWER: c. 2004-05

The base year used for WPI is 2004-05, based on the recommendations of Abhijit Sen Committee.

134. Consider the following statements and identify the right ones.

- i. There are 676 items divided into 3 parts in the WPI
 - ii. All the 3 parts are given equal weightage
- a. i only b. ii only c. both d. none

ANSWER: a. I only

Primary articles constitute 20.12 weightage, fuel has weightage of 14.91 while manufactured items have 64.97 weightage.

135. Which group constitutes maximum weightage in WPI?

- a. Primary articles b. Fuel c. Manufactured items d. Equal weightage

ANSWER: c. Manufactured items

Primary articles constitute 20.12 weightage, fuel has weightage of 14.91 while manufactured items have 64.97 weightage.

136. The base year to calculate CPI-IW is:

- a. 2001 b. 1994 c. 1991 d. 2004

ANSWER: a. 2001

The base year to calculate CPI-IW is 2001. 260 items are included in the index.

137. The base year to calculate CPI-AL is:

- a. 1980-81 b. 1986-87 c. 2001-02 d. 2003-04

ANSWER: b. 1986-87

The base year to calculate CPI-AL is 1986-87 and 260 items are included in the index.

138. The base year to calculate CPI-UNME is:

- a. 1980-81 b. 2001-02 c. 2003-04 d. 1984-85

ANSWER: d. 1984-85

The base year to calculate CPI-UNME is 1984-85. 180 items are included in the index.

139. Consider the following statements and identify the right ones.

- i. RBI has the sole right to issue currency notes
ii. Minimum reserve system has been replaced by proportional reserve system

- a. i only b. ii only c. both
d. none

ANSWER: a. i only

Proportional reserve system has been replaced by minimum reserve system.

140. Which of the following is not a function of RBI?

- a. Banker to government b. Regulation of foreign exchange
c. Collection and publication of data d. None of the above

ANSWER: d. None of the above

RBI performs central banking functions as well as development and promotional functions.

141. Consider the following statements and identify the right ones.

1. RBI provides advice in all monetary matters except agriculture and industrial finance.
2. RBI is obliged to transact business of central government and state governments including J&K

- a. i only b. ii only c. both d. none

ANSWER: d. none

RBI provides advice in all monetary matters including agriculture and industrial finance. RBI is obliged to transact business of central government and state governments excluding J&K.

142 . Consider the following statements and identify the right ones.

- i. RBI acts as clearing house for commercial banks.
ii. It also grants license for setting up banking operations

- a. I only b. ii only c. both d. none

ANSWER: c. both

RBI is also responsible for regulating banks, directs their credit policies and provides advice to them.

143. The amount a bank needs to maintain in form of cash, gold and other securities before giving credit is:

- a. SLR b. CRR c. OMO d. Bank rate

ANSWER: a. SLR

The amount a bank needs to maintain in form of cash, gold and other securities before giving credit is called SLR.

144. The percentage of demand and time liabilities that banks have to keep with RBI is:

- a. SLR b. CRR c. OMO d. Bank rate

ANSWER: b. CRR

The percentage of demand and time liabilities that banks have to keep with RBI is called cash reserve ratio.

145. Consider the following statements and identify the right ones.

- i. RBI is the custodian of foreign exchange reserves of the country.
ii. It also keeps the exchange rate of domestic currency at stable level.

- a. i only b. ii only c. both d. none

ANSWER: c. both

RBI is responsible for transaction of the currencies of IMF countries.

146. Which of the following is not a function of RBI?

- a. Branch licenses and expansion b. Supervision of assets and liabilities
c. Reconstruction and liquidity d. None of the above

ANSWER: d. None of the above

RBI has a set of supervisory functions too.

147. For bank rate to be effective, which of the following conditions are to be fulfilled?

- a. Banks should be ready to avail rediscounting facility from RBI
b. Banks should have adequate quantity of credit instruments that can be rediscounted
c. Banks do not have surplus cash and depend on RBI for extraordinary needs
d. All the above

ANSWER: d. All the above

Bank rate is the rate at which banks can borrow from RBI when in need of funds.

148. The buying, selling of treasury bills, government and other securities by RBI is called:

- a. Cash reserve ratio b. Statutory liquidity ratio
c. Open market operations d. None of the above

ANSWER: c. Open market operations

CRR, SLR and OMO are various tools in the hands of RBI to influence money supply in the economy.

149. Who issues metallic coins in India?

- a. RBI b. Government of India
c. Banks and financial institutions d. Any of the above can issue it.

ANSWER: b. Government of India

The Government of India issues metallic coins in India. Coins, paper currency and deposits are the components of money supply in India.

150. Which of the following is issued by RBI?

- a. Currency notes b. Coins c. Both d. None

ANSWER: a. Currency notes

Currency notes are issued by RBI. The Government of India issues metallic coins in India.

151. Consider the following statements and identify the right ones.

- i. Deposits are created by banks and financial institutions.
 - ii. They constitute the major source of money supply in India.
- a. I only b. ii only c. both d. none

ANSWER: c. both

Coins, paper currency and deposits are the components of money supply in India.

152. Which of the following about money supply measure adopted in 1977 is correct?

- a. $M_2 = M_1 + \text{demand deposits with post offices}$
- b. $M_3 = M_1 + \text{term deposits with banks}$
- c. $M_4 = M_3 + \text{total deposits with post offices}$
- d. All the above

ANSWER: d. All the above

These are the measures of money supply adopted by RBI in 1977.

153. Which of the following is most liquid measure of money supply in India?

- a. M_1 b. M_2 c. M_3 d. M_4

ANSWER: a. M_1

$M_1 = \text{cash with the public} + \text{demand deposits with banks} + \text{other deposits with RBI}$

154. Which of the following is known as broad money?

- a. M_1 b. M_2 c. M_3 d. M_4

ANSWER: c. M_3

M_3 is known as broad money as more items are included in this measure when compared to M_1 which is known as narrow money.

155. Which of the following about money supply measures adopted in 1998 is wrong?

- a. $M_1 = \text{currency with public} + \text{demand deposits with banking system} + \text{other deposits with RBI}$
- b. $M_2 = M_1 + \text{savings deposits of post office savings bank}$
- c. $M_3 = M_1 + \text{time deposits with banking system}$
- d. None of the above

ANSWER: d. None of the above

$M_4 = M_3 + \text{all deposits with post office savings banks excluding National Savings Certificate}$

156. Consider the following statements and identify the right ones.

- i. Data on M_0 are published on monthly basis
- ii. Data on M_1 and M_3 are available on weekly basis

Codes:

- a. I only b. ii only c. both d. none

ANSWER: d. none

157. Consider the following statements and identify the right ones.

- i. Data on liquidity aggregates L_1 and L_2 are published weekly
 - ii. Data on L_3 are published once in a quarter.
- a. i only b. ii only c. both d. none of the above.

ANSWER: b. ii only

Data on liquidity aggregates L1 and L2 are published on a monthly basis.

158. Which of the following banks was not nationalized in 1969?

- a. Vijaya Bank
- b. Canara Bank
- c. Bank of India
- d. Central Bank of India

ANSWER: a. Vijaya Bank

Vijaya Bank was nationalized in 1980 with 5 other banks. In 1969, 14 banks were nationalized.

159. Which of the following banks were nationalized in 1980?

- a. Andhra Bank
- b. Vijaya Bank
- c. Corporation Bank
- d. All the above

ANSWER: d. All the above

The other 3 banks are Punjab and Sind Bank, New bank of India and Oriental Bank of Commerce.

160. Consider the following statements and identify the right ones.

i. Post nationalization, banks were supposed to open more branches in rural and semi-urban areas

ii. Banks had to provide credit facilities to areas that come under priority sector.

- a. i only
- b. ii only
- c. both
- d. none

ANSWER: c. both

Post nationalization, banks were supposed to open more branches in rural and semi-urban areas in order to collect savings from these areas.

161. Consider the following statements and identify the right ones.

- 1. The lead bank scheme owes its origin to Nariman Committee
 - 2. Under this scheme, SBI and its subsidiaries only were given the responsibility of development of districts
- a. 1 only
 - b. 2 only
 - c. both
 - d. none

ANSWER: a. I only

Under this scheme, SBI and its subsidiaries, 14 nationalised banks as well as 3 private banks were given the responsibility of development of districts.

162. Regional Rural Banks work at:

- a. Hobli level
- b. Taluk level
- c. District level
- d. All levels

ANSWER: c. District level

163. Which of the following is a subsidiary of SBI?

- a. State Bank of Hyderabad
- b. State Bank of Mysore
- c. State Bank of Patiala
- d. All the above

ANSWER: d. All the above

SBI has 5 subsidiaries now. The other 2 are State Bank of Bikaner and Jaipur and State Bank of Travancore.

164. In 2001, RBI issued a set of guidelines for private sector. Which of the following is true?

- a. Initial paid-up capital should be 200 crore rupees
- b. Share of promoters in paid-up capital should not be less than 40%

c. Big corporate houses are not allowed to promote any bank

d. All the above

ANSWER: d. All the above

The paid up capital should be increased to 300 crore rupees in 3 years of operation.

165. In 2001, RBI issued a set of guidelines for private sector. Which of the following is true?

- a. NBFCs with minimum CAR of 12% and with good track record will be allowed to open private banks
- b. New banks have to open minimum 25% of branches in rural and semi-urban areas
- c. They have to provide minimum 40% of loans to priority sector
- d. All the above

ANSWER: d. All the above

167. Which of the following is a method to measure relative poverty?

- a. Gini coefficient
- b. Lorenz curve
- c. Both a and b
- d. Poverty line

ANSWER: c. Both a and b

Relative poverty refers to income inequality where high income group has more share than low income group.

168. Which of the following is associated with poverty estimation ?

- a. Tendulkar committee
- b. Lakdawala committee
- c. Saxena committee
- d. All the above

ANSWER: d. All the above

All these committees have recommended various criteria and methods of poverty estimation.

169. Consider the following statements and identify the right ones.

- i. Poverty line is defined as the mid-point of monthly per capita expenditure class having a daily calorie intake of 2400 calorie per person in urban areas.
 - ii. In rural areas, it is 2100 calories a day
- a. I only
 - b. ii only
 - c. both
 - d. none

ANSWER: d. none

Poverty line is defined as the mid-point of monthly per capita expenditure class having a daily calorie intake of 2400 calorie per person in rural areas and for urban areas, it is 2100 calories.

170. Consider the following statements and identify the right ones.

- 1. The Tendulkar panel committee on poverty submitted its report in 2001
- 2. As per the report, poverty estimates will be based on private household consumer expenditure of households

Codes:

- a. I only
- b. ii only
- c. both
- d. none

ANSWER: b. ii only

The Tendulkar panel committee on poverty submitted its report in 2009. The data is collected by the NSSO.

171. Consider the following statements and identify the right ones.

- i. As per the Tendulkar report, NSSO has decided to shift mixed reference period.
 - ii. Prior to this, 30 day recall period was used.
- a. I only
 - b. ii only
 - c. both
 - d. none

ANSWER: c. both.

172. The Saxena Committee was constituted by:

- a. Ministry of Home Affairs
- b. Ministry of Rural Development
- c. Ministry of Economic Affairs
- d. Ministry of Social Welfare

ANSWER: b. Ministry of Rural Development

173. Which of the following is not included in the automatic exclusion as per the Saxena Committee?

- a. Families having two wheelers
- b. Families having minimum one mechanized farm equipment
- c. Income tax payers
- d. Families having a person who draws above 10000 rupees per month working in private organization

ANSWER: a. Families having two wheelers

174. Which of the following is included in the automatic inclusion category?

- a. Designated primitive tribal groups
- b. Single women-headed households
- c. Homeless households
- d. All the above

ANSWER: d. All the above

175. Which of the following is the nodal Ministry to identify BPL families in urban areas?

- a. Ministry of Economic Affairs
- b. Ministry of Social Welfare
- c. Ministry of Housing and Poverty Alleviation
- d. Ministry of Urban Development

ANSWER: c. Ministry of Housing and Poverty Alleviation

176. The current weekly status of a person is calculated with a reference period of:

- a. 5 days
- b. 6 days
- c. 7 days
- d. 4 weeks

ANSWER: c. 7 days

OTHER IMPORTANT MCQS

1. Frequency density of a class is defined as—

- (A) Frequency of the class/Interval of the class
- (B) Frequency of the class/ Cumulative frequency for the class
- (C) Cumulative frequency for the class/Frequency of the class
- (D) Frequency of the class/ Frequency of the previous class

2. Which of the following is statistics?

- (A) Profit of a firm has gone up
- (B) The production of wheat has increased
- (C) The temperature of Delhi is 5 degree more than the temperature of Mumbai
- (D) The birth rate has declined in India

3. At end March 2009, India's total foreign exchange reserves stood at?

- (A) Approximately \$ 150 billion
- (B) Approximately \$ 200 billion
- (C) Approximately \$ 250 billion
- (D) Approximately \$ 300 billion

4. A firm is called maximum efficient firm if it has?

- (A) Minimum Total Cost
- (B) Minimum Average Cost
- (C) Minimum Variable Cost
- (D) Minimum Marginal Cost

5. Implicit cost may be considered as?

- (A) Social cost
- (B) Private cost
- (C) Normal cost
- (D) Variable cost

6 The Mid-day Meal" scheme is covered under the Ministry of?

- (A) Human Resource Development (B) Health and Family Welfare
(C) Social Justice and Empowerment (D) Consumer Affairs, Food and Public Distribution

7. Which of the following associate bank has been taken over by the State Bank of India in 2008?

- (A) State Bank of Travancore (B) State Bank of Hyderabad
(C) State Bank of Mysore (D) State Bank of Saurashtra

8. Which of the following demand curves is not a constant elasticity curve?

- (A) Vertical (B) Horizontal
(C) Linear (D) Rectangular hyperbola

9. The following theory of profit has been given by J. A. Schumpeter?

- (A) Risk theory of profit (B) Uncertainty bearing theory of profit
(C) Innovation theory of profit (D) Dynamic theory of profit

10. The formula for determination of number of class interval for a frequency distribution is given by?

- (A) Connor (B) Spur (C) Sturges (D) Secrist

11. In the Union Budget, the term „Primary Deficit“ means?

- (A) Revenue Deficit — Interest Payment
(B) Fiscal Deficit — Interest Payment
(C) Revenue Expenditure — Revenue Receipts
(D) Total Expenditure — Total Borrowing

12. As a measure to unearth black money, the demonetisation of Rupees 1000 currency notes in India was done in the year?

- (A) 1968 (B) 1978 (C) 1988 (D) 1998

13. The Lead Bank scheme was launched in India on the recommendation of?

- (A) M. Narasimhan (B) F. K. F. Nariman
(C) D. T. Lakdawala (D) V. M. Dandekar

14. Firms have chronic excess production capacity in?

- (A) Duopoly (B) Oligopoly
(C) Pure competition (D) Monopolistic competition

15. In a two sector model when consumption is equal to $40 + 0.90 Y$ and investment is equal to 50, the equilibrium output will be equal to?

- (A) 500 (B) 700 (C) 900 (D) 1100

16. The positional average is shown by ?

- (A) Mean deviation (B) Standard deviation
(C) Mean (D) Median

17. The shutdown point is that level of output of a firm where?

- (A) $MC=AFC$ (B) $MC=AVC$
(C) $MC=TFC$ (D) $MC=TVC$

18. Which of the following functions is not a component of Kaldor"s model of grow?

- (A) Employment function (B) Technical progress function
(C) Saving function (D) Investment function

19. Walra"s Law states that the sum of the excess demand for money, bonds and current output must be?

- (A) Less than zero (B) Equal to zero

- (C) Equal to one (D) More than zero
20. For a unitary elastic demand curve, when price increases, the amount spent by a consumer on a good?
(A) Decreases (B) Increases
(C) Remains unchanged (D) Becomes zero
21. Correlation coefficient is significant if it is?
(A) Less than 6 times of probable error (B) More than 6 times of probable error
(C) Equal to probable error (D) Equal to standard error
22. The term "rainy day" used by Keynes is related with?
(A) Effective demand (B) Precautionary demand
(C) Investment multiplier (D) Inflationary gap
23. Root mean square of all the deviations is known as?
(A) Mean deviation from median (B) Mean deviation from mode
(C) Standard deviation (D) Quartile deviation
24. If there is perfect correlation between two variables, then the regression lines are?
(A) Parallel (B) Perpendicular
(C) Coincidental (D) Intersectional
25. A producer's surplus is equal to?
(A) $AR - MC$ (B) $AR - AC$
(C) $AR - MR$ (D) $TR - TC$
26. According to 2001 census, the total number of persons living in urban slums was approximately?
(A) 1 crore (B) 2 crore (C) 3 crore (D) 4 crore
27. The tax called CENVAT is related to?
(A) Central Sales Tax (B) Union Excise Duty
(C) Corporate Tax (D) Custom Duty
28. The price and quantity, both are indeterminate under?
(A) Pure competition (B) Perfect competition
(C) Monopoly (D) Bilateral monopoly
29. Which of the following is not an example of Internal Economies?
(A) Economies of superior technology (B) Economies of division of labour
(C) Economies of competition (D) Economies of management
30. Which of the following type of facts are not considered under the study of statistics?
(A) Quantitative facts (B) Qualitative facts
(C) Comparative facts (D) Relative facts
31. The statistical calculations in classified data are based on?
(A) The actual values of observations (B) The upper class limits
(C) The lower class limits (D) The mid-points of the classes
32. The concept of merit goods has been introduced by?
(A) Buchanan (B) Musgrave
(C) Samuelson (D) Tiebout
33. The Child Labour (Prohibition and Regulation) Act, 1986 prohibits the employment of children below the age of?

- (A) 10 years (B) 12 years
(C) 14 years (D) 16 years

34. The Prime Lending Rate of Commercial Banks are decided by?

- (A) Positive (B) Negative
(C) Zero (D) Infinite

35. The cross elasticity of demand for substitute commodities is always?

- (A) Positive (B) Negative
(C) Zero (D) Infinite

36. The K-factor analysis is related with?

- (A) Economic growth rate (B) Trends in foreign trade
(C) Causes of mortality (D) Infrastructure facilities

37. The „knife-edge equilibrium“ in Harrod's model is an equality between?

- (A) G and Gw (B) Gw and Gn
(C) G and Gn (D) G, Gw and Gn

38. Stratified sampling is preferred, where?

- (A) Population is homogeneous (B) Population is heterogeneous
(C) Random sampling is not possible (D) Small samples are required

39. Pure interest is?

- (A) Equal to the gross interest (B) Less than gross interest
(C) More than gross interest (D) Not related to gross interest

40. Which of the following is totally different from logical multiplier?

- (A) Instant multiplier (B) Lagless multiplier
(C) Static multiplier (D) Dynamic multiplier

41. Availability hypothesis explains a country's

- (A) Production capacity (B) Natural resources availability
(C) Commodity composition of foreign trade (D) Consumption pattern

42. For a Giffen good

- (A) Income effect is positive and substitution effect is negative
(B) Income effect is negative and substitution effect is positive
(C) Income effect and substitution effect both are positive
(D) Income effect and substitution effect both are negative

43. To meet the objective of inflation control, the Central Bank should adopt following policy measures

- (A) Increase in cash reserve ratio, along with purchase of securities under open market operations
(B) Increase in cash reserve ratio, along with sale of securities under open market operations
(C) Decrease in cash reserve ratio, along with purchase of securities under open market operations
(D) Decrease in cash reserve ratio, along with sale of securities under open market operations

44. The relative measures of dispersion are generally called?

- (A) Dispersion coefficient (B) Dispersion multiplier
(C) Dispersion accelerator (D) Dispersion variable

45. Which of the following is not expressed by a transformation curve?

- (A) Choice (B) Scarcity
(C) Factor price (D) Opportunity cost

46. The central theme of the World Development Report, 2009 published by the World Bank is?

- (A) Agriculture for development (b) Development and next generation
(C) A better investment climate for every one (D) Reshaping economic geography

47. Under the first degree of price discrimination in discriminating monopoly, the consumer's surplus will be?

- (A) Zero (B) Maximum
(C) Minimum (D) Indeterminate

48. A rational consumer moves to a higher indifference curve due to?

- (A) Monotonic preference (B) Polytonic preference
(C) Convex preference (D) Concave preference

49. When was the concept of core sector introduced in Indian industries ?

- (A) 1970 (B) 1980 (C) 1990 (D) 2000

50. Which is the apex bank for micro finance in India?

- (A) State Bank of India
(B) Industrial Development Bank of India
(C) Small Industries Development Bank of India
(D) National Bank for Agriculture and Rural Development

51. When the given values of x form geometric series and values of y form arithmetic series, the relationship between The variables is given by

- (A) Lemon function (B) Lemon homogeneous function
(C) Binomial function (D) Exponential function

52. Statistical distrusts are due to?

- (A) Nature of statistics (B) Limited scope of statistics
(C) insufficient tools of statistics (D) Misuse of statistics

53. Circular test is satisfied by the following index

- (A) Laspeyre's index (B) Pasche's index
(C) Fisher's index (D) Kelly's index

54. Which of the following is the largest component of India's external debt?

- (A) Commercial borrowings (B) NRI deposits
(C) Multilateral debt (D) Bilateral debt

55. Tobin tax is related with?

- (A) Black money transactions (B) Commodity transactions
(C) Service transactions (D) Foreign exchange transactions

56. The terms Static and Dynamic in economics were first used by?

- (A) Malthus (B) Mill (C) Marshall (D) Walras

57. A metropolitan city is one which has a population size of more than?

- (A) 10 lakh (B) 15 lakh (C) 20 lakh (D) 25 lakh

58. According to fifth economic census, the highest number of industrial units in the country are located in the State of?

- (A) Maharashtra (B) Gujarat (C) Andhra Pradesh (D) Tamil Nadu

59. Under perfect competition, the entrepreneur's power of control over the price of the commodity is?

- (A) Total (B) Considerable (C) Some (D) None

60. Who has regarded the concept of „ideal output“ as an indicator of economic welfare?

- (A) Hicks (B) Pareto (C) Pigou (D) Kaldor

61. The technique of presenting data by pictogram was developed by?

- (A) Croxton and Cowden (B) Johnson and Jackson
(C) Otto Neurth (D) Horace Secrist

62. The monetization of economy is measured by?

- (A) M0/GDP (B) M1/GDP
(C) M2/GDP (D) M3/GDP

63. The shape of average selling cost curve is?

- (A) Hyperbola shaped (B) Rectangular Hyperbola shaped
(C) L-shaped (D) U-shaped

64. The National Institute of Training for Standardization (NITS) is located at?

- (A) Hyderabad (B) Nagpur
(C) Chandigarh (D) Noida

65. NABARD is a?

- (A) Commercial Bank (B) Lead Bank
(C) Refinance Bank (D) Cooperative Bank

66. Cost-plus principle is related with?

- (A) Production theory (B) Value theory
(C) Marginal utility theory (D) Distribution theory

67. Which one of the following is not a feature of Stagflation?

- (A) High input cost (B) Excess in aggregate demand
(C) High price level (D) High unemployment level

68. The Hayek theory of trade cycle is related with?

- (A) Over-investment (B) Price fluctuation
(C) Interaction of multiplier and accelerator (D) Interaction of saving and investment

69. Which one of the following is a two-dimensional diagram?

- (A) Pictogram (B) Histogram
(C) Bar diagram (D) Line diagram

70. A firm's learning curve shows the following relationship between average cost of production and total output over time

- (A) Decline in average cost with increase in total output
(B) Decline in average cost with decline in total output
(C) Increase in average cost with decline in total output
(D) Increase in average cost with increase in total output

71. Select the correct statement regarding Harrod's accelerator and Domar's accelerator and decide which one is true

- (A) Harrod's accelerator is psychological and Domar's accelerator is technological
(B) Harrod's accelerator is technological and Domar's accelerator is psychological
(C) Harrod's accelerator is psychological and Domar's accelerator is also psychological

(D) 1-larrod"s accelerator is technological and Domar"s accelerator is also technological

72. The transfer payment multiplier in the Keynesian system will be equal to?

- (A) MPC/MPS (B) MPS/MPC
(C) MPS/(1-MPC) (D) MPC/(1-MPS)

73. The difference between Natural rate" and „Market rate" of interest has been done by?

- (A) Robertson (B) Keynes
(C) Fisher (D) Wicksell

74. The quartile deviation for a normal distribution is always equal to?

- (A) $(2/3)\sigma$ (B) $(3/4)\sigma$
(C) $(4/5)\sigma$ (D) $(5/6)\sigma$

75. Which of the following is not a „shift factor of demand"?

- (A) Income (B) Price
(C) Fashion (D) Taste

76. The concept of „costing margin" in the pricing theory was introduced by?

- (A) Andrews (B) Baumol
(C) Cournot (D) Williamson

77. The Keynesian theory of employment provides the solution of?

- (A) Frictional unemployment (B) Disguised unemployment
(C) Cyclical unemployment (D) Seasonal unemployment

78. Four heads of expenditure of the Union Budget 2009-10 are given below—

1. Plan expenditure 2. Non-plan expenditure
3. Revenue expenditure 4. Capital expenditure
Arrange the expenditure heads in descending order using the codes given below
(A) 2,3,4,1 (B) 3,4,2, 1
(C) 3,2,1,4 (D) 2,1,4,3

79. In the year 2007-08 the per capita NNP at current prices was?

- (A) More than Rs. 20,000 (B) More than Rs. 30,000
(C) More than Rs. 40,000 (D) More than Rs. 50,000

80 . Mathematics was first used economic theory by?

- (A) Weiser (B) Walras
(C) Cournot (D) Pigou

81. India"s foreign exchange rate system is?

- (A) Free float (B) Managed float
(C) Fixed (D) Fixed target of band

82. The terms „NEER" and „REER" are related with?

- (A) Foreign exchange rate (B) External economic resources:
(C) National and regional economic equality (D) Environmental regulation

83 . For the calculation of percentile, the data should be arranged in?

- (A) Ascending order (B) Descending order
(C) Random order (D) Either random or descending order

84. As per BASEL-II norms, a bank's capital to risk weighted assets ratio (CRAR) should be at least?

- (A) 8% (B) 10% (C) 12% (D) 14%

85. The shape of a frequency curve cannot be?

- (A) U-shaped (B) V Shaped
(C) J-shaped (D) S-shaped

86. According to the Planning Commission, for infrastructure development during Eleventh Five Year Plan, the required investment is?

- (A) Approximately \$ 250 billion (B) Approximately \$ 500 billion
(C) Approximately \$ 750 billion (D) Approximately \$ 1000 billion

87. India's first port-based Special Economic Zone named International Container Transshipment Terminal (ICTI) is being set-up at?

- (A) Kandla (B) Kochi
(C) Goa (D) Tuticorin

88. Which of the following is pure unitless number?

- (A) Mathematical average (B) Statistical average
(C) Absolute measure of dispersion (D) Relative measure of dispersion

89. The user cost of capital is?

- (A) The real rate of interest plus the rate of depreciation
(B) The nominal rate of interest plus the rate of depreciation
(C) The real rate of interest only
(D) The nominal rate of interest only

90. The number of items reserved for the exclusive manufacture by micro and small enterprises is currently?

- (A) Less than 25 (B) Less than 50
(C) Less than 75 (D) Less than 100

91. A new housing price index RESIDEX has been launched by?

- (A) Central Statistical Organization (B) Planning Commission
(C) Housing Development Finance Corporation (D) National Housing Bank

92. Which one of the following is not a feature of current Indian Planning?

- (A) Structural Planning (B) Indicative Planning
(C) Functional Planning (D) Decentralised Planning

93. The concept of disinvestment was introduced by?

- (A) Friedman (B) Kaldor
(C) Keynes (D) Myrdal

94. Which of the following is average of second order?

- (A) Arithmetic mean (B) Geometric mean
(C) Second quartile (D) Standard deviation

95. Which average is most affected by the extreme observations?

- (A) Arithmetic mean (B) Geometric mean
(C) Median (D) Mode

96. If the covariance of two variables is equal to the product of the standard deviations of the variables, then the correlation coefficient will be?

- (A) -1 (B) +1

(C) 0 (D) Between 0 and -1

97. The term „Animal Spirit“ was used by Keynes for?

- (A) Consumption (B) Investment
(C) Income (D) Interest

98. The index of Financial Inclusion has been launched for the first time in 2008 by?

- (A) Confederation of Indian Industries (CII)
(B) Federation of Indian Chamber of Commerce and Industry (FICCI)
(C) National Council of Applied Economic Research (NCAER)
(D) Indian Council for Research on International Economic Relations (ICRIER)

99. The elasticity of factor substitution for constant elasticity substitution production function is always?

- (A) Zero (B) One
(C) A positive value (D) A negative value

100. The Revealed Preference theory assumes?

- (A) Weak ordering (B) Strong ordering
(C) Constant ordering (D) Multiple ordering

101. Which of the following is not an item of transfer payment?

- (A) Pension (B) Scholarship
(C) Dividend (D) Subsidy

102. The United Nation's Millennium Development Goals are to be reached by the year?

- (A) 2010 (B) 2015
(C) 2020 (D) 2025

103. The number of women entrepreneurs in small scale industrial region is highest in the state of?

- (A) Karnataka (B) Kerala
(C) Maharashtra (D) Tamil Nadu

104. Which of the following is not an effect of lump sum tax imposed on monopolist?

- (A) Output sold is unchanged (B) Price is unchanged
(C) Profit reduces (D) Incidence of tax is wholly on buyer

105. A distributed lag for net investment may be due to?

- (A) A decrease in the capital output ratio
(B) An increase in the capital output ratio
(C) Limited, short-run production capabilities in capital goods industry
(D) Limited long-run production capabilities in capital goods industry

106. The concept of Adjusted Net Saving has been given by?

- (A) Hamilton (B) Friedman
(C) Keynes (D) Pigou

107. The product of regression coefficients is always?

- (A) Positive (B) Negative
(C) Zero (D) A complex number

108. The nature of classical unemployment is?

- (A) Disguised (B) Frictional
(C) Open (D) Structural

109. Which one of the following properties shows the high degree of dispersion?
(A) Homogeneity (B) Consistency
(C) Uniformity (D) Variability
110. The New Exploration License Policy (NELP) of the Government of India is related with?
(A) Coal and Lignite (B) Uranium and Thorium
(C) Diamond and Precious Stones (D) Oil and Gas
111. Full employment is a situation when?
(A) Cyclical unemployment is zero (B) Frictional unemployment is zero
(C) Seasonal unemployment is zero (D) Disguised unemployment is zero
112. Which Indian Company has been included for the first time in U.S. A's index NASDAQ-100?
(A) Infosys (B) Tata Motors
(C) ICICI Bank (D) Videsh Sanchar Nigam Limited
113. The natural rate of unemployment is the sum of?
(A) Frictional unemployment and Structural unemployment
(B) Frictional unemployment and Cyclical unemployment
(C) Structural unemployment and Cyclical unemployment
(D) Structural unemployment and Seasonal unemployment
114. The nature of statistical inference is?
(A) Inductive (B) Deductive
(C) Descriptive (D) Objective
115. Mean deviation is always?
(A) Equal to the standard deviation than the standard
(B) Less than the standard deviation
(C) More than the standard deviation
(D) Twice of the standard deviation
116. The coefficient of alienation is known as?
(A) Against correlation (B) Against variance
(C) Against association (D) Against determination
117. The Divergence Indicator is related with?
(A) Wage rate of workers (B) Exchange rate of currencies
(C) Profit of firms (D) Market price of shares
118. Which one of the following taxes has not been abolished in recent Union Budgets?
(A) Banking Cash Transaction (B) Commodity Transaction Tax
(C) Fringe Benefit Tax (D) Securities Transaction Tax
119. The Samuelson-Holt formula provides a measure of?
(A) Consumer's equilibrium (B) Consumer's surplus
(C) Elasticity of demand (D) Marginal utility
120. The most liquid asset among the following is?
(A) Gold (B) Share
(C) Cash (D) Land
121. Ricardian Equivalence" is related with?
(A) Low deficit, less saving (B) Low deficit, more saving

(C) High deficit, less saving (D) High deficit, more saving

122. The „Swiss Formula“ of World Trade Organisation is related with?

- (A) Patent of drugs (B) Agricultural subsidy
(C) Transboundary services (D) Non-agricultural tariff

123. The Securities and Exchange Board of India has recently made the rating of Initial Public offerings mandatory. The total number of such grades are?

- (A) Three (B) Four
(C) Five (D) Six

124. Consider the following statement— “Once a person has spent his entire income, he would have maximized his total pleasure from it only if the satisfaction gained from the last item of each commodity bought was the same for the each commodity.” The above statement is related to?

- (A) Gossen’s First Law (B) Gossen’s Second Law
(C) Gossen’s Third Law (D) Gossen’s Fourth Law

125. Which of the following results in an increase in inventory sales ratio?

- (A) A decrease in the cost of holding inventory
(B) An increase in probability delivery delays for materials
(C) A decrease in the probability delivery delays for materials
(D) An increase in the cost of: holding inventory

126. Harris-Todaro model is related with?

- (A) Growth and unemployment (B) Growth and migration
(C) Unemployment and migration (D) Unemployment and inflation

127. Density test is used for?

- (A) Median (B) Mean
(C) Mode (D) Quartile

128. In the Keynesian saving function, the parameter is ?

- (A) Disposable income (B) Total saving
(C) Marginal propensity to save (D) Autonomous saving

129. A simple correlation can defined as the tendency of?

- (A) Independent variation (B) Dependent variation
(C) Simultaneous variation (D) Instantaneous variation

130. For implementing a comprehensive Khadi Reform Programme, a financial aid of \$ I million over a period of three years has recently been tied up with?

- (A) International Monetary Fund (B) International Development Agency
(C) Asian Development Bank (D) International Finance Corporation

131. For n consecutive natural numbers, the following relationship is correct?

- (A) Mode = Mean (B) Mean = Median
(C) Mode > Median (D) Mode < Mean

132. The measure of the degree of association between the values of two random variables is called?

- (A) Correlation (B) Association
(C) Regression (D) Co-variance

133. The current level of maternal morality rate in India is approximately?

- (A) 150 per one lac live births (B) 250 per one lac live births

- (C) 350 per one lac live births (D) 450 per one lac live births
134. In any set of numbers, the geometric mean exists only when all numbers are?
 (A) Positive (B) Negative
 (C) Zero (D) Positive, zero or negative
135. If correlation coefficient is equal to zero, then variables will be?
 (A) Associated (B) Correlated
 (C) Independent (D) Dependent

OTHER IMPORTANT MCQS

1. Under which one of the following conditions, does product exhaustion theorem hold?
 (a) Increasing return to scale (b) Decreasing return to scale
 (c) Constant return to scale (d) Constant return to factors of production
2. Public goods are characterized by:
 1. collective consumption. 2. divisibility.
 3. non-exclusion. 4. rival-consumption.
 Select the correct answer using the code given below
 (a) 1 and 2 (b) 1 and 3
 (c) 1 and 4 (d) 2 and 4
3. Capital Deepening refers to which one of the following:
 (a) Going for more fixed capital
 (b) Emphasis on social overhead capital
 (c) A constant capital-output ratio
 (d) An increasing capital-output ratio
4. Disguised underemployment refers to the situation when:
 (a) people seem occupied on a full time basis even though the services they render require less than full time?
 (b) workers are underpaid despite doing full time job
 (c) there is a co-existence of unemployment and inflation
 (d) the economy experiences underemployment equilibrium
5. Which one of the following is explained by Fei Ranis model?
 (a) The inter-relationship between the agricultural and the industrial sectors
 (b) Planning methods when labour is in short supply
 (c) Growth process of the industrial sector
 (d) A neo-classical framework of growth analysis
6. Consider the following statement:
 1. The Solow model explains a capital/labour ratio which does not grow under equilibrium condition.
 2. Substituting capital for labour is possible in the Solow model.
 Which of the statements given above is/are correct?
 (a) 1 only (b) 2 only
 (c) Both 1 and 2 (d) Neither 1 nor 2

7. Consider the following statements:

1. Dualism refers to the existence and persistence of increasing divergences between rich and poor nations and rich and poor people at various Levels.
2. Dualism is the political division of the society into two broad groups of the rightists and the leftists in modern democracy.

Which of the statements given above is correct?

- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2

8. Directions: The following item consists of two statements, one labelled as the „Assertion (A) „and the other as“ Reason (R)” — You are to examine these two statements carefully and select the answer using the code given below.

Assertion (A) : The doctrine of unbalanced growth is based on creation of imbalances in the economy in a conscious manner.

Reason (R) : Unequal development of various sectors often generates conditions for rapid development.

Code:

- (a) Both A and R are individually true and R is the correct explanation of A
(b) Both A and R are individually true, but R is not correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

9. Suppose the market demand function of a perfect competitive industry is given by $Q(d) = 4,750 - 50P$ and market supply function is given by $Q(s) = 1,750 + 50P$.

Price is expressed in rupees. Which one of the following is equal to the market equilibrium price?

- (a) Rs. 30. (b) Rs. 20
(c) Rs. 25 (d) Rs. 26

10. Market failure occurs because of:

1. Externality
2. Asymmetric information
3. Perfect competition

Select the correct answer using the code given below

- (a) 1,2 and 3 (b) 1 only
(c) 1 and 2 (d) 2 and 3

11. If personal income is Rs. 57,000 ; personal income tax Rs. 9,000; consumption Rs. 43,000; interest payment Rs 10,000; personal saving Rs. 40,000; then the disposable personal income would be equal to:

- (a) Rs. 50,000 (b) Rs. 47,000
(c) Rs. 48,000 (d) Rs. 40,000

12. A discriminating monopolist charges a:

- (a) higher price in the, sub-market where price elasticity of demand is high
(b) higher price in the sub-market where price elasticity of demand is low
(c) lower price in the sub where price elasticity of demand is low
(d) higher price in the sub-market where demand is low

13. In the long run, the cost and output relationship depends on which one of the following?

- (a) Return to scale (b) Fixed proportion of the variables
(c) Return to the variable factor (d) Return to the fixed factor

14. Consider to following statements with respect to a duopoly market with firms A and B:

- I. If both firms act as followers, then they will have reaction functions
2. If Firm A acts as leader and firm B acts as follower, then firm A will not have any reaction function.
3. If both firms act as leaders, then the outcome is economic warfare.

Which of the statements given above are correct?

- (a) 1 and 2 (b) 1,2 and 3
(c) 1 and 3 (d) 2 and 3

15. Consider the following:

According to Ricardian theory of distribution

- I. rent is price determined.
2. land is supposed to have various alternative used.
3. marginal land earns no rent,
4. rent is a surplus in the sense that it is an excess over transfer earnings.

Which of the statements given above are correct?

- (a) 1,2and 4 (b) 1,3 and 4
(c) 2 and 3 (d) 1 and 4

16 If two commodities perfectly/substitutale (competitive), the direction of change of the cross elasticity of demand between then be?

- (a) zero (b) positive
(c) negative (d) infinity

17. From which of the following axioms does the property that 'indifference curves for a consumer cannot intersect each other' follow?

- I. Axiom of non-satiation
2. Axiom of transitivity
3. Axiom of reflexivity
4. Axiom of convexity

select the correct answer using the code given below

- (a) 1 and 3 (b) 1and 4
(c) 2 and 3 (d) 1 and 2

18. Consider the following statements Under flexible exchange fate system, balance of payments disequilibria are corrected by:

1. changes in the exchange rates.
2. international flow of money and reserves.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2

19. Which one of the following is implied by interest parity?

- (a) Interest rates are at par in all the countries
(b) Movements in spot rates and forward fates in the foreign exchange market are same.
(c) Potential holders of foreign currency deposits view them as not equally desirable assets
(d) A condition that the expected returns on deposits of any two countries are equal when measured in the same currency.

20. Which one of the following best describes the nineteenth century gold standard system?

- (a) Regulated system with floating exchange rates

- (b) Automatic system with fixed exchange rates
- (e) Regulated system with fixed exchange rates
- (d) Automatic system with floating exchange rates

21 Consider the following statements regarding the features of the World Bank:

1. The Board of Governors is the supreme body.
 2. The voting power of the Governor of a member country is related to the financial contribution of the country concerned.
 3. It gives short-term loan to its members to correct their temporary balance of payments disequilibrium.
- Which of the statements given above is/are correct?

- (a) 1 only
- (b) 1 and 2
- (c) 2 and 3
- (d) 1, 2 and 3

22. Which of the following is/are the reasons for the collapse of Bretton-Woods system?

1. The refusal by the U.S. Treasury to convert short-term liability into gold.
2. The U.S. move to make dollar inconvertible.
3. The devaluation of U.S. dollar in 1973.

Select the correct answer using the code given below

- (a) 1 only
- (b) 1 and 2
- (c) 2 and 3
- (d) 1, 2 and 3

23. Tariffication refers to:

- (a) replacement of quotas by tariffs only
- (b) replacement of all existing non-tariff restrictions by tariff
- (c) scaling down of tariffs in general
- (d) obtaining sanction to increase tariff rates

24. Which of the following are the components of foreign capital?

1. Grants and loans.
2. External commercial borrowings.
3. Foreign direct investment.
4. Deposits from non-residents.

Select the correct answer using the code given below

- (a) 1, 2, 3 and 4
- (b) 1, 2 and 4
- (c) 1 and 2
- (d) 3 and 4

25. Under loanable funds theory of interest, which of the following are included in the supply of loanable funds?

1. Current savings.
2. Funds released from embodiment in working capital.
3. Bank loans.

Select the correct answer using the code given below

- (a) 1 and 2
- (b) 2 and 3
- (c) 1 and 3
- (d) 1, 2 and 3

26. Which one of the following is represented by the intersection of the IS curve and the LM curve?

- (a) Only a flow equilibrium
- (b) Only a stock equilibrium
- (c) A stock-cum-flow equilibrium
- (d) Moving away from equilibrium

27. Which one of the following situations occurs during the period when borrowers and lenders expect inflation?

- (a) The nominal rate of interest exceeds real rate of interest
- (b) The real rate of interest exceeds the nominal rate of interest
- (c) The nominal rate of interest equals the real rate of interest
- (d) Nominal and real rates of interest become zero

28. With whom, among the following, is the theory that the rate of interest is also a factor for transaction demand for money, associated?

- (a) Baumol and Tobin
- (b) Pigou
- (c) Keynes
- (d) Samuelson

29. According to Friedman, on which of the following does the velocity of circulation of money depend?

- 1. Market interest rate on bonds.
- 2. Rate of change in general price level.
- 3. Ratio of physical non-human wealth to human wealth.
- 4. Ratio of savings to investment.

Select the correct answer using the code given below

- (a) 1 and 3
- (b) 1, 2 and 4
- (c) 1, 2 and 3
- (d) 4 only

30. Consider the following statements:

- 1. Lower the currency-deposit ratio, higher the money multiplier.
- 2. Lower the reserve-deposit ratio, higher the money multiplier.
- 3. Larger the monetary base, higher is the money supply.
- 4. Larger the monetary base, lower is the money supply.

Which of the statements given above are correct?

- (a) 1 and 3
- (b) 1, 2 and 4
- (c) 1, 2 and 3
- (d) 2 and 4

31. In the standard Keynesian IS-LM model, a decrease in minimum cash reserve ratio will:

- (a) create demand-pull inflation in full-employment
- (b) create cost-push inflation in full-employment
- (c) create mark up inflation in full-employment
- (d) create demand-pull inflation if there is unemployment

32. When one of the following is not correct in the context of IS and LM framework of the theory of interest?

- (a) It integrated money interest and income into a general equilibrium model of product and money market
- (b) Investment and interest are the two important variable in the model
- (c) The theory is propounded by J.R. Hicks
- (d) IS represents the money market equilibrium and LM represents the product market equilibrium

33. The accelerator model predicts that the changes in investment is determined by the changes in:

- (a) inventory
- (b) capital
- (c) interest
- (d) output

34. Given, $MPC = 0.8$ and the threshold consumption = 100, which one of the following is the corresponding saving function?

- (a) $100 + 0.2Y$ (b) $-100 + 0.8Y$
(c) $-100 + 0.2Y$ (d) $400 + 0.2Y$

35. According to the classical theory of employment, deviations from the state of full employment are of:

- (a) permanent nature (b) purely temporary nature
(c) imaginary situations (d) normal situations

36. Effective demand is that level of demand at which:

- (a) aggregate demand is fore than aggregate supply
(b) aggregate demand is less than aggregate supply
(c) aggregate demand is equal to aggregate supply
(d) output is maximum

37. In national income accounting, which one of the following is the difference between gross aggregates and net aggregates?

- (a) The value of net indirect taxes
(b) The value of consumption of fixed capital
(c) The value of intermediate consumption
(d) The value of final consumption expenditure

38. Consider the following statements relating to gross investment in the national income accounts:

1. It includes the items relating to residential and nonresidential construction.
2. It takes care of spending on producers durable goods.
3. It includes changes in business inventories.

Which of the statements given above are correct?

- (a) 1 and 2 (b) 2 and 3
(c) 1 and 3 (d) 1, 2 and 3

39. Consider the following statements:

1. Pigou held the view that employment depends upon money wages and could be substantially increased by curtailing wages.
2. Keynes held the view that employment depends upon the level of effective demand which can be increased by leaving money intact. - -

Which of the statements given above is correct?

- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 and 2

40. Which one of the following is related to the theory that supply created its own demand and therefore full employment is a natural situation?

- (a) Say's law (b) Pigou's law of employment
(c) Giffen paradox (d) Keynesian theory of employment

41. The life cycle hypothesis of consumption implies that consumption is related to:

- (a) price expectation over one's life time (b) permanent income
(c) transitory income (d) expected life income

42. According to Keynes, which one of the following is meant by liquidity preference?

- (a) Refraining from saving

(b) Desire to hold cash

(c) A preference to hold assets like bonds and securities which are liquid

(d) Increasing savings in terms of precious metals

43. The currency notes in circulation as well as the proportion of total money supply held in the form of currency are influenced by which of the following?

1. The physical volume of trade and transactions.

2. The level of prices in the economy.

3. The development of bank and banking habits of the people.

Select the correct answer using the code given below

(a) 1 only

(b) 2 only

(c) 1,2 and 3

(d) 1 and 3

44. Imposition of a tariff will change the income distribution of the tariff-imposing country in favour of the scarce factor and against the abundant factor. This is known as:

(a) Leontief paradox

(b) Lerner paradox

(c) Stolper-Samuelson theorem

(d) Metzler-paradox

45. Directions : The following two (2) items consist of two statements, one labeled as the „Assertion (A)„and the other as „Reason (R)“. You are to examine these two statements carefully and select the answers to these items using the code given below.

Code:

(a) Both A and R are individually true and R is the correct explanation of A

(b) Both A and R are individually true, but R is not the correct explanation of A

(c) A is true, but R is false

(d) A is false, but R is true

47. Consider the following statements:

1. Bond price and interest rate vary indirectly.

2. A tax on personal income reduces disposable income.

3. According to Say's Law, demand creates its own supply.

Which of the statements given above are correct?

(a) 1 and 2

(b) 2 and 3

(c) 1 and 3

(d) 1,2 and 3

48. Which of the following are included in broad money (M₃) in India?

1. Currency with the public.

2. Demand deposits with banks.

3. Time deposits with banks.

4. „Other“ deposits with RBI.

Select the correct answer using the code given below

(a) 1,2 and 3

(b) 1 and 2

(c) 3 and 4

(d) 1,2,3 and 4

49. Consider the following statements:

In competitive markets, incidence of tax

1. is shared by buyers and sellers.

2. on buyers increases if elasticity of supply increases.

3. is fully borne by buyers if elasticity of demand is zero.

4. is independent of elasticities.

Which of the statements given above are correct?

- (a) 1 and 2 (b) 1,2 and 3
(c) 3 and 4 (d) 2 and 4

50. Which one of the following is not a tax sacrifice principle?

- (a) Equal absolute sacrifice (b) Equal proportional sacrifice
(c) Equal marginal sacrifice (d) Equal average sacrifice

51. Under monopolistic competition the cross elasticity of demand for the product of a firm will be?

- (A) Perfectly elastic (B) Perfectly inelastic
(C) Highly elastic (D) Highly inelastic

52. Which of the following curves is not „U“ shaped?

- (A) Average Cost Curve (B) Average Variable Cost Curve
(C) Average Fixed Cost Curve (D) Marginal Cost Curve

53. Loss of information occurs during?

- (A) Collection of data (B) Presentation of data
(C) Classification of data (D) Interpretation of data

54. Which of the following indices is based on only base year quantities?

- (A) Laspeyre's index (B) Fisher's index
(C) Kelley's index (D) Pasche's index

55. The first State in India- which published its State Human Development Report, is?

- (A) Kerala (B) Madhya Pradesh
(C) Gujarat (D) Andhra Pradesh

56. The Utility Index Number has been developed by?

- (A) Marshall and Edgeworth (B) Hall and Hitch
(C) Neumann and Morgenstern (D) Hicks and Hanson

57. The following theory is treated as „the third root of the logical theory of demand“?

- (A) Diminishing marginal utility theory
(B) Equi-marginal utility theory
(C) Revealed preference theory
(D) Theory of consumer's surplus

58. Employment elasticity of growth is measured as?

- (A) Employment growth rate / GDP growth rate
(B) Employment growth rate/Population growth rate
(C) Employment growth rate/Unemployment growth rate
(D) Employment growth rate// Per capita income growth rate

59. The fundamental equation in Harrod's growth model is defined?

- (A) In terms of rate of growth of output
(B) In terms of rate of growth of technology

- (C) In relation to the path of capital-labour ratio
(D) In terms of rate of change of capital-output ratio

60. The best average for the construction of index number is?

- (A) Geometric mean (B) Arithmetic mean
(C) Harmonic mean (D) Weighted mean

61. The minimum price below which the seller will not sell the goods, is known as?

- (A) Estimated price (B) Administered price
(C) Reserve price (D) Shadow price

62. In the equation $C = C_0 + \alpha Y$, the behavioural coefficient is?

- (A) C (B) C_0
(C) α (D) Y

63. Automatic stabilizer is a tool of?

- (A) Taxation policy (B) Employment policy
(C) Population policy (D) Export policy

64. The price of a commodity will increase if the increase in demand is?

- (A) More than increase in supply (B) Less than increase in supply
(C) Equal to the increase in supply (D) Not related to the increase in supply,

65. Which of the following assumptions is not correct for the Lewis model of growth?

- (A) The economy has two sectors
(B) Capitalists reinvest all their profits
(C) Rural wage is determined by marginal product of labour
(D) The supply of rural labour to modern sector is perfectly elastic

66. The Durbin-Watson test is used for?

- (A) Autocorrelation (B) Multiple correlation
(C) Partial correlation (D) Simple correlation

67. The following Industrial Policy Resolution is known as the Economic Constitution of India?

- (A) Industrial Policy, 1948 (B) Industrial Policy, 1956
(C) Industrial Policy, 1980 (D) Industrial Policy, 1991

68. If two regression lines are perpendicular to each other, the correlation coefficient will be?

- (A) +1 (B) -1 (C) Zero (D) Indetermined

69. Under the second degree of price discrimination in discriminating monopoly, the buyers are divided into?

- (A) One single group only of all buyers
(B) Two groups only of all buyers
(C) Many groups of buyers according to their demand
(D) Number of groups which is equal to number of buyers

70. If an economy is purely competitive static economy, then the economic profit will be?
(A) Minimum (B) Maximum (C) Zero (D) Negative

71. Who is known as the „Architect“ of Indian Planning?
(A) Dadabhai Naoroji (B) M. Visvesaraia
(C) P. C. Mahalanobis (D) Ardeshir Dalal

72. The entertainment tax in India was first introduced in the State of?
(A) Bengal (B) Bihar
(C) Rajasthan (D) Maharashtra

73. The Laffer curve shows the relationship between?
(A) Per capita income and environmental pollution
(B) Rate of unemployment and rate of inflation
(C) Tax rate and tax revenue
(D) Economic growth and income inequality

74. The shape of the indifference curve indicates?
(A) Income of the consume (B) Taste of the consumer
(C) Prices of the commodities (D) Quality of the commodities

75. Which of the following has highest quantitative value in a positively skewed distribution?
(A) Mean (B) Median
(C) Mode (D) First quartile

76. Which of the following is also known as mixed sample?
(A) Systematic sample (B) Stratified sample
(C) Random sample (D) Multi-stage sample

77. According to Harvey Leibenstein, two types of incentives work in under-developed countries?
(A) Positive-sum incentives and Negative-sum incentives
(B) Zero-sum incentives and negative-sum incentives
(C) Positive-sum incentives and Multiple-sum incentives
(D) Zero-sum incentives and Positive-sum incentives

78. During recent past, the highest GDP growth rate has been achieved in the year?
(A) 2005-06 (B) 2006-07
(C) 2007-08 (D) 2008-09

79. A factor of production is used by a producer at that stage where the marginal production of the factor is?
(A) Increasing, but positive (B) Increasing, but negative
(C) Decreasing, but positive (D) Decreasing, but negative

80. The doctrine of consumer's surplus is based on?
(A) Indifference curve analysis (B) Revealed preference analysis
(C) Law of substitution (D) Law of diminishing marginal utility

81. Big-mac index is based on?

- (A) Official exchange rate (B) Real effective exchange rate
(C) Nominal effective exchange rate (D) Purchasing power parity exchange rate

82. The New Tax Code which is proposed to come into effect from April 1st, 2011 covers?

- (A) Direct taxes only (B) Indirect taxes only
(C) Both direct and indirect taxes (D) State level taxes only

83. In the Union Budget 2009-10, total amount of interest payments is estimated?

- (A) More than Rs. 1.0 lakh crore (B) More than Rs. 1.5 lakh crore
(C) More than Rs. 2.0 lakh crore (D) More than Rs. 2.5 lakh crore

84. Which of the following is related with monopoly?

- (A) Advertisement cost (B) Selling cost
(C) Price discrimination (D) Product differentiation

85. The modern money is not?

- (A) Token money (B) Fiat money
(C) Fiduciary money (D) Full bodied money

86. The outcome budget is a?

- (A) Pre-outlay instrument (B) Post-outlay instrument
(C) Pre-expenditure instrument (D) Post-expenditure instrument

87. In the theory of kinked demand curve, the lower segment of the demand curve is?

- (A) Perfectly inelastic (B) Perfectly elastic
(C) Highly elastic (D) Less elastic

88. The difference between GDP and NDP is?

- (A) Net foreign income (B) Depreciation
(C) Subsidies (D) Net indirect tax

89. Arithmetic mean of deviation is always?

- (A) A positive value (B) A negative value
(C) Equal to zero (D) Equal to one

90. Which one of the following is an item of current account of the balance of payments?

- (A) Foreign investment (B) External commercial borrowings
(C) Foreign grants (D) Non-resident Indian deposits

91. Charlier's check for accuracy is used for?

- (A) Mean (B) Median
(C) Correlation (D) Standard deviation

92. The empirical study of economic theories is considered under?

- (A) Aggregate economics (B) Applied economics

(C) Social economics (D) Welfare economics

93 Elinor Ostrom, the first woman to win the Nobel Prize in economics in 2009. has been awarded for her contribution in the field of?

(A) Resolving business conflicts (B) Inflationary trends
(C) Management of common property (D) Capital market analysis

94. The Kuznet's curve shows the relationship between?

(A) Economic growth and income inequality (B) Unemployment and inflation
(C) Tax rate and tax revenue (D) Economic growth and inflation

95. Slutsky's substitution effect is based on?

(A) Cost variation (B) Cost difference
(C) Compensating variation (D) Compensating difference

96. The correlation coefficient is independent of?

(A) Change of scale only
(B) Change of origin only
(C) Both the changes of scale and origin
(D) Neither the change of origin nor the change of scale

97. The data represented through arithmetic line graph help in understanding?

(A) Trend (B) Randomness
(C) Cyclicity (D) Seasonality

98. Select the correct statements regarding the Balanced Growth theory Statements:

- 1 It is a static concept
2. It is a dynamic concept
3. It recognises the significance of economic independence
4. It recognises the significance of economic interdependence.

Code:

(A) 1 and 4 (B) 2 and 3 (C) 1 and 3 (D) 2 and 4

99. For setting up new industrial parks and in established industrial parks, the Foreign Direct Investment under automatic route has been allowed?

(A) Upto 26percent (B) Upto 49 per cent
(C) Upto 74 per cent (D) Upto 100 per cent

100. The Euler's theorem is satisfied only with?

(A) Homogeneous function (B) Heterogeneous function
(C) Endogeneous function (D) Exogeneous function

1. The demand curve for a product will shift outwards to the right when:

- (a) The price of a substitute good rise
- (b) Consumer income fall
- (c) Consumer expect the price of the good fall in the future.
- (d) The price of the product itself fall

Ans : a

2. If the demand for good is relatively price inelastic and its price rises, the revenue will:

- (a) Fall
- (b) Remain constant
- (c) Rise
- (d) Depends on how supply responds

Ans : c

3. Which of the following option is not an example of 'market failure'?

- (a) Failure to produce merit goods
- (b) Failure to produce public goods
- (c) Failure of a firm to maximize its profits
- (d) Failure to account externalities

Ans : c

4. Which of the following is an example of a Primary form of Business activity?

- (a) Hair dressing
- (b) Automobile production
- (c) Banking
- (d) Forestry

Ans : d

5. The price of goods will tend to rise if:

- (a) The current price is above the equilibrium
- (b) The current price is below the equilibrium
- (c) The quantity demanded is less than the quantity supplied
- (d) There is a reduction in the cost of a substitute commodity

Ans : b

6. Productivity is measured by:

- (a) The growth on Output of a firm
- (b) The growth on Profit of a firm
- (c) Total output/Total input
- (d) Total amount of investments in capital goods

Ans : c

7. The main objectives of macroeconomic policy is:

- (a) A high and stable level of employment
- (b) A low and stable rate of inflation
- (c) A stable and satisfactory rate of economic growth
- (d) All of the above

Ans : d

8. Who was first argued that the purpose of business was to make profit?

- (a) Milton fried man
- (b) Margarathcher
- (c) Elaine stembnerg
- (d) John Crane

Ans : a

9. What does the PPP or P3 initiative refer to?

- (a) Public policy papers
- (b) Public Private Partnership
- (c) Private Procurement Production
- (d) Personal Production Proposal

Ans : b

10. What does the PFI initiative refer to ?

- (a) Private Finance Initiative
- (b) Private Fiscal Initiative
- (c) Public Financial Initiative
- (d) Private Foundation Investment.

Ans : a

11. The term 'late industrialization' refers to:

- (a) The need to delay industrialization because of its threats to the environment
- (b) The problem faced by many developing countries as they seek to catch up to the Levels of development of richer countries
- (c) The belief that it is too late for many countries to industrialize.
- (d) That we are now entering a post industrialized world.

Ans : c

12. Which of the following economists is regarded as having developed the theory of comparative Advantage?

- (a) Adam Smith
- (b) David Recharado

(c) Joseph Stiglitz

(d) Amartya Sen

Ans : b

13. Under perfect competition in the long run –

- a) All firms earn normal profits,
b) Few firms earn super normal profits,
c) All firms are at break even,
d) None of the above.

Ans : a

14. National income at market prices is equal to –

- a) gross national product at market price,
b) gross domestic product at market prices,
c) net national product at factor cost,
d) none of the above.

Ans : c

15. If there is a single buyer, it is called –

- a) Monopoly,
b) Oligopoly,
c) Monopsony,
d) none of these.

Ans : c

16. A firm is having increasing returns to scale means –

- a) it is having increasing costs,
b) it is having constant costs,
c) it is having decreasing costs,
d) none of the above.

Ans : c

17. Production can be measured in terms of which of the following?

- a) Total productivity,
b) Marginal productivity,
c) Average productivity,
d) all of these.

Ans : d

18. Which is not covered under the scope of Managerial Economics?

- a) Profit Management,
c) Pricing Policies,
- b) Accounting Theory,
d) Production Analysis.

Ans : b

19. Demand analysis includes –

- (a) demand forecasting, (b) demand elasticity study,
(c) indifference curve analysis, (d) all of the above.

Ans : d

20. Law of Demand implies –

- Qualitative relationship between demand and supply,
- Qualitative relationship between price and demand,
- Quantitative relationship between price and demand,
- Quantitative relationship between demand and supply.

Ans : b

21. Which one of these is an exception to the law of demand?

- a) Demonstration effect goods, b) Giffen's Goods,
c) Future scarcity of goods, d) all of the above

Ans : d

22. Elasticity of demand is based on which of the following factors?

- a) Range of substitutes available,
b) Joint demand,
c) Proportion of income spent on the commodity,
d) All of the above.

Ans : d

23. Which one of the following is not the function of a managerial economist?

- a) Industrial market research,
c) Capital budgeting,
- b) Determining rate of interest in money market,
d) Investment analysis.

Ans : b

24. Which one is not a type of demand?

- a) Price demand,
c) Supply demand,
- b) Derived demand,
d) Joint demand.

Ans c

25. Which is not the type of elasticity of demand?

- a) Price elasticity,
b) Income elasticity,
c) Supply elasticity,
d) Advertising elasticity.

Ans : c

26. Who introduced the concept of elasticity of demand?

- a) Boulding,
c) Marshall,
- b) Robinson,
d) Joel Dean.

Ans : c

27. Isocost line is also called as:

- a) Profit line,
c) Budget line,
- b) Production line,
d) Return line.

Ans : c

28. In case of Giffen's goods, price effect is –

- a) negative, b) zero, c) positive, d) proportionate.

Ans : a

29. If the demand curve is a rectangular hyperbola, elasticity is -

- a) 1, b) 0, c) 2, d) less than 1.

Ans : a

30. A firm maximizes its profit when –

- a) $MC > MR$, b) $MC < MR$, c) $MC = MR$, d) $MR = AP$.

Ans : c

31. The falling part of a total utility curve shows –

- a) Zero marginal utility,
- b) Decreasing marginal utility,
- c) Increasing marginal utility,
- d) Negative marginal utility.

Ans : d

32. At the shut-down point –

- a) Total losses of the firm equals TFC,
c) $P = AVC$,
- b) $TR = TVC$,
d) all of the above.

Ans : d

33. Value of a firm can be defined as –

- a) PV of the firm's expected future cash flows, b) PV of its capital,
c) FV of the firm's capital, d) FV of the firm's cash flows.

Ans : a

34. Statement “Price is the amount of money and / or other item with utility needed to acquire a product” is given by –

- a) Stanton, b) Clark, c) J. S. Bain, d) J Robinson.

Ans : a

35. The goods whose demand is not tied with the demand for some other goods are said to have –

- a) Independent demand,
c) Autonomous demand,
- b) Free demand,
d) Individual demand.

Ans : c

36. Movement along a demand curve as a result of change in price is known as –

- a) change in quantity demanded,
b) Change in demand,
c) Increase or decrease in demand,
d) None of the above.

Ans : a

37. Under perfect competition, the long-run equilibrium of the firm is established at –

- a) Minimum point of LAC,
c) Minimum point of SAC,
- b) Highest point of LAC,
d) Highest point of SAC.

Ans : a

38. Conditions of firm's equilibrium under perfect competition in short run is / are –

- a) $MC = MR$,
b) slope of $MC >$ slope of MR ,
c) $MR = \text{Price}$,
d) all of the above.

Ans : d

39. Economics of scale means –

- a) Reductions in unit cost of production,
b) Reductions in total cost of production,
c) Reductions in unit cost of distribution,
d) Addition to the unit cost of production.

Ans : a

40. Marginal product becomes negative –

- a) When total output declines, b) When total output increases rapidly,
c) When total output stops increasing fastly, d) In no circumstances.

Ans : a

41. When price elasticity of demand is unity, the total expenditure –

- a) increases with rise in price,
b) decreases with fall in price,
c) increases with fall in price,
d) has no affect of price change.

Ans : d

42. Concept of 'Consumer's Surplus' was evolved by -

- a) Dr. Alfred Marshall, b) J M Keynes, c) Adam Smith, d) E Boulding.

Ans : a

43. A high value of cross-elasticity indicates that the two commodities are -

- a) Very close substitutes,
c) Poor substitutes,
- b) Very close complements,
d) Poor complements.

Ans : a

44. GNP can be calculated as –

- a) GDP – Depreciation,
c) GDP – Depreciation + Subsidies,
- b) GDP + Net factor income from abroad,
d) Wages + Interest + Rent.

Ans : b

45. Income method for measuring GNP considers –

- a) Wages and salaries, b) Interest, c) Rents, d) all of these.

Ans : d

46. The theory of 'Circular Causation' was developed by -

- a) J R Hicks, b) Robinson, c) Ragnar Nurkse, d) Taylor.

Ans : c

47. The law of demand is a –

- a) Indicative statement,
b) Qualitative statement,
c) Illustrative statement,
d) Selective statement.

Ans : b

48. Professor J Robinson measured monopoly power in terms of -

- a) Elasticity,
b) Marginal revenue and price,
c) Marginal cost and price,
d) Price and average cost

Ans : a

49. In which market structure, a firm has no control over price of it's product?

- a) Monopoly,
c) Oligopoly,
- b) Perfect competition,
d) Monopolistic competition.

Ans : b

50. LAC curve is –

- a) U shaped and less pronounced,
c) U shaped only,
- b) U shaped and more pronounced,
d) Intersecting SAC curve.

Ans : a

51. Which one is not the stage of product life cycle?

- a) introduction, b) Increase, c) Decline, d) Saturation.

Ans : b

52. Price discrimination will not be a good approach for –

- a) Railway company,
b) Electric supply company,
c) FMCG company,
d) Mobile company.

Ans : c

53. All money costs can be regarded as –

- a) Social costs, b) Implicit costs, c) Explicit costs, d) Real costs.

Ans : c

54. The demand function is a statement of the relationship between –

- Quantity of factors of production,
- Quantity of product demanded and all the factors that affect this quantity,
- Quantity demanded and profit,
- Product demand and cost of output.

Ans:**55. Which of the following is one of the basis for the indifference curve analysis?**

- a) Independent utility,
- b) Ordinal utility,
- c) Cardinal utility,
- d) Diminishing utility.

Ans : b**56. Economists who developed the Indifference Curve Analysis are –**

- a) Hicks and Allen,
- b) Hicks and Marshall,
- c) Samuelson and Robinson,
- d) Hicks and Robinson.

Ans : a**57. Revealed preference theory was introduced by –**

- a) Marshall,
- b) Samuelson,
- c) Robinson,
- d) Taylor.

Ans : b**58. Cartel system –**

- a) Leads to a monopoly situation,
- b) is a kind of pure oligopoly,
- c) It is banned in the US,
- d) all of the above.

Ans : d**59. Marginal utility approach was finalized by –**

- a) AC Pigou,
- b) Alfred Marshall,
- c) J R Hicks,
- d) J S Mill.

Ans : b**60. Equilibrium of monopolist will never lie below the middle point of the average revenue curve because below the middle point –**

- a) Elasticity of demand is less than one,
- b) Marginal revenue is negative,
- c) Both 'a' and 'b',
- d) Market laws cease to operate.

Ans : c

PREVIOUS YEAR QUESTIONS:

1. Liquidity preference is a theory of

- (A) Supply of money
- (B) Saving
- (C) Investment
- (D) Demand for money

2. What is one result of an increase in the money supply?

- (A) Short-run increase in demand
- (B) Short-run increase in the level of output
- (C) Long-run increase in demand
- (D) Long-run increase in the level of output

3. As interest rate increases, money supply tends to

- (A) Increase
- (B) Decrease
- (C) Remain constant
- (D) Not related to interest rate

4. Keynes regards employment as a function of

- (A) Supply
- (B) Price
- (C) Income
- (D) Demand

5. According to Keynes consumption is a function of

- (A) Investment
- (B) Capital
- (C) Saving
- (D) Income

6. The problem why rational people are unwilling to participate in a fair game, refers to

- (A) Leontiff paradox
- (B) St. Petersburg Paradox
- (C) Bernoulli's Paradox
- (D) Neumann's Paradox

7. A person who refuses a fair gamble is said to be

- (A) Risk bearer
- (B) Risk lover
- (C) Risk averse
- (D) Both (B) and (C)

8. The economist who popularized indifference curve approach is
(A) Simon Kuznets (B) Paul Samuelson
(C) J.R. Hicks (D) Sweezy
9. Public debt implies loans raised by government
(A) Within the country (B) Outside the country
(C) Within and outside the country (D) Not applicable
10. Which one of the following is not the type of internal public debt of the government of India
(A) Permanent debt (B) Floating debt
(C) Foreign financial institutions (D) Outstanding liabilities
11. At present, the RBI is issuing notes of the denominations of
(A) Rs. 1, 5, 2 (B) Rs. 10, 20, 50, 100
(C) One rupee coins, and small coins (D) Loins of rs. 1, 2, 5 and 10
12. Which is the dominant objective of monetary policy which the RBI has been trying to achieve?
(A) Price Stability (B) Reduce Deficit
(C) Encourage exports (D) Growth
13. The term sustainable development was first used by
(A) World conservation strategy (B) The world development Report 1999
(C) The world development Report 2000 (D) None of these
14. The effect of population growth on per capita income is
(A) Favourable (B) Unfavourable
(C) No effect (D) Very low
15. The age pyramid is also known as
(A) Demography pyramid (B) Gender pyramid
(C) Population density pyramid (D) Population pyramid
16. A normal good can be defined as one which consumers purchase more of as:
(A) Prices (B) Income fall
(C) Prices rise (D) Income increase
17. Selling a product in a foreign market at a lower price than in home market is called
(A) Cartel (B) Dumping
(C) Subsidy (D) Import Quota
18. Which protective device aims at restricting and regulating imports?
(A) Dumping (B) Subsidy
(C) Import Quota (D) Tariff quota
19. The definition of small scale industry in India is based on
(A) Investment in Machines and equipment (B) Sale of the unit
(C) Market coverage (D) Export capacity
20. Industrial policy resolution of 1948 divided industries into
(A) 3 categories (B) 4 categories
(C) 5 categories (D) 6 categories
21. How many mills are there in our country?
(A) 870 mills (B) 1250 mills
(C) 1100 mills (D) 900 mills

22. Absenteeism refers to
(A) The absence of employer from work
(B) The absence of employee from work that is authorized, explained and unavoidable
(C) The absence of employee from work that is unauthorized, unexplained, avoidable and willful
(D) None of these
23. The function that shows the functional relationship between utility and quantity of goods is known as
(A) General utility function (B) Specific utility function
(C) Total utility function (D) Marginal utility function
25. Price elasticity at a given price is not affected by
(A) The price of substitutes (B) The price of complements
(C) A change in supply (D) The price of substitutes
26. The coefficient of correlation according to Karl Pearson is always:
(A) ± 1 (B) -1 (C) $+1$ (D) 0
27. Who is the exponent of the principle of correlation?
(A) Bowleg (B) Spearman
(C) Connor (D) Karl Pearson
28. r_{xy} refers to $N \times y$
(A) Price index (B) Karl Pearson's coefficient of correlation
(C) Spearman's rank Differences methods (D) Mean Deviation
29. Agricultural Development banks are sponsored by
(A) RBI (B) Nationalized Banks
(C) SBI (D) Cooperative Banks
30. Most of the disguised unemployed persons in India are found in
(A) Transport (B) Industry
(C) Agriculture (D) Trade
31. In India, who is the originator of green revolution?
(A) M.S. Swaminathan (B) Garry Becker
(C) Norman E. Borlug (D) Hanumante Rao
32. The co-operative credit institutions are classified into two categories, these are:
(A) Agricultural and non - agricultural (B) Industrial and non - industrial
(C) Internal and external (D) State and national
33. Central cooperative banks are
(A) Permitted to borrow or lend among themselves
(B) Not permitted to borrow or lend among them
(C) Permitted to borrow from people
(D) None of the above
34. The PACs has advanced loans worth Rs. 23 crores in 1950 - 51 and this rose to in 2000 - 01.
(A) Rs 200 crores (B) 25, 250 crores (C) 36, 540 crores (D) 34, 520 crores
35. Keynes defined Money demand as
(A) Cash + Time deposit (B) Cash + Demand deposit
(C) Cash + High powered money (D) Cash + Saving with post office

36. Keynes only considered
(A) Induced investment (B) Autonomous investment
(C) Both (A) and (B) (D) None of the above
37. Cross elasticity of demand between tea and sugar is
(A) Positive (B) Negative
(C) Zero (D) Infinity
38. Horizontal equity refers to
(A) Equal treatment of equals (B) Unequal treatment of unequals
(C) Equal treatment of unequals (D) Unequal treatment of equals
39. How many members/ persons are needed to form a PACS (Primary agricultural credit societies).
(A) 30 or more (B) 20 or more
(C) 10 or more (D) more than 50
40. Age is given on the vertical axis so that the youngest age group isand the oldest age group is
(A) At the bottom; at the top (B) At the top; at the bottom
(C) On the left side; on the right side (D) On the right side,; on the left side
41. Which kind of barriers are hidden
(A) Non – tariff barriers (B) Tariff
(C) Both (A) and (B) (D) Not fixed
42. SAIL is
(A) Small – scale industry (B) Large – scale industry
(C) Cottage industry (D) Tiny industry
43. Who is known as the father of input output analysis?
(A) W.W Leontiff (B) Hicks
(C) Samuelson (D) Trance is Quesnay
44. Between income and consumption there is generally
(A) No correlation (B) Positive correlation
(C) Negative correlation (D) Partial correlation
45. In regression of y on x, x is
(A) A dependent variable (B) A constant variable
(C) An independent variable (D) None of these
46. Blue revolution is related to
(A) Poultry (B) Fisheries (C) Drinking water (D) Space research
47. The share of agriculture in GDP was around 55% in 1950 – 51 and it declined to in 2007 – 08
(A) 42% (B) 17.8% (C) 23.7% (D) 12.5%
48. How many state co-operative banks are there in state at present?
(A) 25 (B) 31 (C) 42 (D) 16
49. Land development banks were initially known by the name of
(A) Land mortgage banks (B) Co-operative banks
(C) Land credit societies (D) Agricultural co – operative banks
50. Narrow definition of money is

- (A) M4 (B) M3 (C) M2 (D) M1
51. Change in capital stock is called
 (A) Production (B) Income
 (C) Investment (D) Lost
52. In case of inferior goods, the income effect is
 (A) Positive (B) Negative
 (C) Zero (D) Infinite
53. Vertical equity refers to
 (A) Equal treatment of equals (B) Unequal treatment of unequals
 (C) Equal treatment of unequals (D) Unequal treatment of equals
54. Which bank meets the long-term credit needs of agriculturists?
 (A) Primary agricultural credit societies (B) Central cooperative bank
 (C) Land Development bank (D) State cooperative banks
55. A normal good can be defined as one which consumers purchase more of as
 (A) Prices fall (B) Income fall
 (C) Prices rise (D) Income increase
56. Price elasticity at a given price is not affected by
 (A) The price of substitutes (B) The price of complements
 (C) A change in supply (D) The price of substitutes
57. Globalization signifies a process of
 (A) Internationalization (B) Liberalisation
 (C) Internationalization and liberalization (D) Privatization
58. Input output analysis was developed by
 (A) Walras (B) Samuelson
 (C) Heckscher – ohlin (D) W.W heontiff
59. According to Harrod-Domar Growth Model, Growth is directly related to
 (A) k/o ratio and inversely related to savings (B) Savings and inversely related to k/o ratio
 (C) Savings and k/o ratio (D) Savings and k/o ratio directly
60. In 1971 collapse of Brettonwood system was largely due to
 (A) Fall of gold standard (B) Rise in the value of paper currency
 (C) Rise in the value of gold (D) Failure to manage international liquidity
61. Euro-currency market is a means of transferring
 (A) Long term and medium term funds with in the country
 (B) Short – term and medium term funds with in the country
 (C) Short – term and medium term funds from one country to another country.
 (D) Long term funds from one country to another
62. According to the minimum wage Act, 1948
 (A) Wages for agricultural labourers are to be fixed by the state governments
 (B) Wages for agricultural labourers are to be fixed by the central governments
 (C) Wages for industrial labours are to be fixed by the entrepreneurs
 (D) Wages for industrial labours are to be fixed by the central governments

63. An act of simultaneously buying a currency in one market and selling it in another to earn profits from the difference between the exchange rates in the two markets, is termed as
(A) Dumping (B) Market Hedging
(C) Arbitrage (D) Devaluation
64. Bretton woods led to formation of
(A) GATT (B) IBRO
(C) INF (D) All of the above
65. Agricultural Refinance and Development corporation was set up in
(A) 1952 (B) 1963
(C) 1975 (D) 1960
66. Total wheat production of India in 1998 – 99 was
(A) 50 million tones (m.t) (B) 60 m.t.
(C) 70 m.t. (D) 80 m.t.
67. Who is the chairman of economic Advisory council of the Prime minister in India?
(A) Jagdish Bhagwati (B) C.Rangrajan
(C) Vijay kelkar (D) Suresh Tendulkar
68. Which country rank first in the world production of sugar and sugarcane.
(A) China (B) USA
(C) India (D) Brazil
69. MTFRP stands for
(A) Medium – term financial reforms programme
(B) Mid – term for reforms programme
(C) Major tax for rural programme
(D) Medium – term fiscal reforms programme
70. Who was the first general Director of WTO?
(A) Lamy Paseal (B) Peter Sutherland
(C) William Diamond (D) Alan Greenspan
71. The LPG model of development was introduced by
(A) Vijay kelkar (B) V. K. R. V Rao
(C) Jagdish Bhagwati (D) Dr. Manmohan singh
72. Which one of the following is not can indicator of globalization?
(A) Opening of the economy for unrestricted imports and exports
(B) Allowing free capital movement among nations
(C) Free movement of technology among nations
(D) Achieving exchange rate stability
73. In new economic policy of 1991
(A) Government has restricted foreign investment policy
(B) Government has liberalized foreign
(C) Several concessions and facilities have been given on foreign direct investment
(D) Both (B) and (C)
74. The new endogeneous growth theory was developed as a reaction to missions and deficiencies in:
(A) Hicks – Samuelson model
(B) Jargenson's neo – classical model
(C) Solow – swan neo – classical growth model

(D) Meade's Neo – classical Model of economic growth

75. How much is the population density in china?

- (A) 300 person per km²
(C) 250 person per km²

- (B) 95 person per km²
(D) 132 person per km²

PRACTICE SETS

1. Marginal cost curve cuts the average cost curve from below at
 - a. Its lower point
 - b. The left of the lowest point
 - c. Right of the lowest point
 - d. All of the above
2. Which of the following is the best general definition of the study of economics?
 - a. Inflation and unemployment is a growing economy
 - b. The best way to invest in the stock market
 - c. Business decision making under foreign competition
 - d. Individual and social choice in the face of scarcity
3. Consider the following statements
 1. Business economics is a special branch of economics applied in business decision making
 2. The nature of business economics is applied not theoretical
 3. The nature of business economics is based on micro economics
 Codes
 - a. 1 b. 1 3 c. 2 3 d. all of the above
4. Which of the following is a reason for economic problem
 - a. Unlimited ends or wants
 - b. Scarce resources
 - c. Alternative uses of scarce resources
 - d. All of the above
5. Which of the following is the best general definition of the study of business economics?
 - a. The best way to invest in the stock market
 - b. Behavior of the firm in theory and practices
 - c. Individual choice in the face of scarcity
 - d. Use of economic theories for making business decisions
6. For profit maximization of a firm following conditions should be fulfilled
 1. MC = MR
 2. Marginal cost curve cuts the average cost curve from below
 Which of the following is correct
 - a. 1 b. 2 c. 1 2 d. neither 1 nor 2
7. What is the fundamental premise of economics?

- a. Individuals are capable of establishing goals and acting in a manner consistent with achievement of those goals.
- b. Natural resources will always be scarce
- c. Individuals choose the alternative for which they believe the net gains to be the greatest
- d. No matter what the circumstances, individuals choice always involve a trade off.

- 8.** According to Lionel Robbins definition of economics, Economics is a science which
- a. Studies human behavior
 - b. Relationship between ends and scares resources
 - c. Scarce means have alternative uses
 - d. All of the above

- 9.** Consider the following statements.
- 1. The main purpose of a business firm is to earn profit.
 - 2. Capital management is dealt within business economic.
 - 3. Cost analysis is required for cost control.
- Which of the statements given above are correct?

- a. 3
- b. 2
- c. 1
- d. all of the above

- 10.** In the case of giffen goods like bajra, a fall in its price trends to
- a. Reduce the demand
 - b. Increase the demand
 - c. Demand will remain constant
 - d. None of the above

- 11.** Which of the following pairs of commodities is an example of substitutes?
- a. Coffee and milk
 - b. Diamond and cow
 - c. Pen and ink
 - d. Mustard oil and coconut oil

- 12.** In a demand schedule, quantity demanded
- a. Varies directly with price
 - b. Varies inversely with price
 - c. Varies proportionately with price
 - d. None of the above

- 13.** A good, whose demand by a consumer falls with the rise in income of that consumer is called
- a. Normal goods
 - b. Inferior goods
 - c. Substitute goods
 - d. Complementary goods

- 14.** Which of the following does not influence the individual demand for a product
- a. Price of product
 - b. Price of close substitute
 - c. State of producton technology
 - d. Change in climate consition

15. Question 15
16. Question 16
17. Which one of these is an exception to the law of demand?
- Demonstration effect goods
 - Giffen goods
 - Future scarcity of goods
 - All of the above
18. If the demand curve is a rectangular hyperbola, elasticity is
- 1
 - 0
 - ∞
 - less than 1
19. Reasons for change in demand (increase or decrease in demand) are
- Change income of consumer
 - Change in population
 - Change in fashion and customs
 - All of the above
20. Demand for a commodity depends on the relative price of its
- Substitute goods
 - Abnormal goods
 - Inferior goods
 - None of the above
21. Demand curve of a normal goods is
- Graphical presentation of law of demand
 - Slopes downward
 - Explain the relation between price and demand
 - All of the above
22. The demand curve is _____ representation of a demand schedule, demand curve slopes _____ ward from left to right
- Graphical, down
 - Down, graphical
 - graphical, up
 - schedule, up
23. For inferior commodities, income effect is
- Zero
 - normal
 - inferior
 - substitutes
24. When the decrease in the price of one good causes the demand for another good to decrease, the goods are
- Complements
 - normal
 - inferior
 - substitutes
25. Which of the following shapes of demand curve shows elasticity equal to unity at all points?
- A rectangular hyperbola
 - A perpendicular
 - a parabola
 - a straight line

26. An income demand curve for an inferior commodity slopes
a. Horizontal c. upwards to the right
b. Vertical d. downwards to the right
27. When the demand curve is a rectangular hyperbola, a fall in the price of a commodity causes total expenditures on the commodity to
a. Increase c. remain unchanged
b. Decrease d. none of these
28. Which one is not a type of demand?
a. Price demand c. joint demand
b. Derived demand d. all of these
29. The total effect of a price change of a commodity is
a. Substitution effect + price effect
b. Substitution effect – income effect
c. Substitution effect + income effect
d. Substitution effect – price effect
30. Individual demand schedule shows
a. Tabular presentation of law of demand
b. The prices of goods
c. The quantities of a commodity purchased
d. All of the above
31. Goods which are paradoxical to the law of demand are
a. Giffen goods c. complementary goods
b. Substitute goods d. none of these
32. Baumol has suggested as an alternative objective for profit maximization, the maximization of
a. Sales c. income
b. Profit d. none of these
33. According to law of demand,
a. Price of commodity is an independent variable
b. Quantity demanded is a dependent variable
c. Reciprocal relationship is found between price and quantity demanded
d. All of the above
34. According to the law of diminishing marginal utility
a. Utility is at a maximum with the first unit
b. Increasing units of consumption increase the marginal utility
c. Marginal product will fall as more units are consumed
d. Total utility will rise at a falling rate as more units are consumed
35. Market demand for any goods is a function of the

1. Price per unit of the goods
 2. Price per unit of other goods
 3. Incomes of consumers
 4. Tastes of consumers
- Codes

a. 1 b. 1 3 c. 3 4 d. all of the above

- 36.** Which of the following is a correct statement?
- a. Decrease in input causes a leftward shift in the supply curve
 - b. The demand for a commodity is inversely related to the price of its substitutes
 - c. The desire for a commodity backed by ability and willingness to pay is demand
 - d. When income increases demand for essential goods increases more than proportionately

- 37.** Which of the following statements are not correct?
- a. Decrease in own price of the commodity means extension of demand
 - b. Increase in own price of the commodity means increase in demand
 - c. Both a and b
 - d. None of the above

- 38.** The means function is a statement of the relationship between
- a. Quantity of factors or production
 - b. Quantity of product demanded and all the factors that affect this quantity
 - c. Quantity demanded and profit
 - d. Product demand and cost of output

- 39.** Movement along a demand curve as a result of change in price is known as
- a. Change in quantity demanded
 - b. Change in demand
 - c. Increase or decrease in demand
 - d. None of the above

- 40.** Ceteris Paribus, a change in the price of a commodity causes the quantity purchased of its complements to move
- a. In the same direction
 - b. In the opposite direction
 - c. in an improper manner
 - d. cannot be determined

- 41.** Which of the following statement is incorrect?
- a. The demand function specifies the relationship between quantity demanded and all the variables that determine demand
 - b. The demand curve is that part of the demand function, that expresses the relation between price charged for a product and the quantity demanded ceteris paribus
 - c. Elasticity can be measured in two different ways called point elasticity and arc elasticity
 - d. Arc elasticity measures the average elasticity at a point on the arc of the demand curves

- 42.** When the economist speaks of an increase in demand, he is usually referring to a
- a. Shift in demand curve to right
 - b. Movement along demand curve downwards right
 - c. Shift in demand curve to left

d. Movement along demand curve upwards

43. When in order to satisfy a given want, two or more goods are needed in combination, these goods are called

- a. Complementary goods
- b. Substitute goods
- c. Inferior goods
- d. Abnormal goods

44. The extent of the change of demand for a commodity to a given change in ____, other demand determinants remaining constant, is termed as the ____ of demand

- a. Price, price elasticity
- b. Price, cross elasticity
- c. income, price
- d. none of these

45. Assume in a competitive market that price is initially above the equilibrium level. We can predict that price will

- a. Decrease, quantity demanded will decrease and quantity supplied will increase
- b. Decrease and quantity demanded and quantity supplied will both decrease
- c. Decrease, quantity demanded will increase and quantity supplied will decrease
- d. Increase, quantity demanded will decrease and quantity supplied will increase

46. Which of the following statement is incorrect?

- a. If demand increases and supply decreases, equilibrium price will rise
- b. If supply increases and demand decreases, equilibrium price will fall
- c. If demand decreases and supply increases, equilibrium price will rise
- d. If supply declines and demand remains constant, equilibrium price will rise

47. The demand for a product would be more inelastic

- a. The greater is the time under consideration
- b. The greater is the number of substitute available to buyers
- c. The less expensive is the product in relation to incomes
- d. All of the above

48. Giffen goods may be defined as those goods whose price effect is ____ and income effect is ____

- a. Positive, negative
- b. Negative, positive
- c. positive, elastic
- d. negative, elastic

49. Put these concepts in chronological order of their development

- 1. Law of demand
- 2. Law of indifference
- 3. Law of diminishing MU
- 4. Revealed preference theory
- 5. Indifference curve

Codes

- a. 1 3 2 4 5
- b. 1 2 3 4 5
- c. 1 3 2 5 4
- d. 1 5 2 4 3

50. Good Y is substitute for good X, if

- 1. A fall in price of good X leads to the fall in the marginal utility of good Y

2. A fall in price of good X leads to the fall in the quantity purchased of good Y.

Codes

- a. 1 b. 2 c. both 1 and 2 d. neither 1 nor 2

51. Consider the following statements.

1. Demand is always related to price and time.
2. Individual demand is the sum total of individual demand function
3. Demand is desire or want back of money

Which of the statement given above is correct

- a. 1 2 b. 1 c. 2 d. all of the above

52. Which of the following statements are correct?

- a. Degree of responsiveness of demand to a given change in its price is price elasticity of demand
- b. Degree of responsiveness of demand for one good to change in price of other good is income elasticity of demand.
- c. Both a and b
- d. None of the above

53. Which of the following statements are incorrect?

- a. There exists an inverse relationship between demand for commodity and its price in case of complementary goods.
- b. There exists direct relationship between demand for commodity and its price in case of substitute goods
- c. Both a and b
- d. None of the above

54. Consider the following statements

1. Decrease in demand is caused by change in factors other than own price of the commodity.
2. Contraction of demand is caused by decrease in own price of the same commodity.
3. Extension of demand is caused by increase in own price of the same commodity.

Which of the statement given above is correct?

- a. Only 1 b. both 1 2 c. both 2 and 3 d. none of these

55. Which of the following statement is true?

- a. In inferior goods, the income and substitution effects are negative
- b. In inferior goods, the income and substitution effects are positive
- c. In case of inferior goods, the income effect is negative although the substitution effect is positive
- d. In case of inferior goods, the income effect is positive although the substitution effect is negative

56. Demand for safety pins is

- a. Elastic b. inelastic c. unity d. none of these

57. In general the demand for necessities is relatively

- a. Inelastic b. elastic c. unity d. none of these

58. Unitary elasticity of demand refers to

- a. Proportionate change in price and quantity
b. More than proportionate change in price
c. Less than proportionate change in price
d. None of the above
59. The elasticity of demand for luxury good is
a. Infinite b. more than one c. less than one d. equal to one
60. Formula for price elasticity of demand is
61. Which one is the technique of measuring elasticity of demand?
a. Total outlay method c. point method
b. Arc method d. all of these
62. The demand for life saving drugs
a. Elastic b. inelastic c. infinity d. none of these
63. When demand for the product increases in the same proportion in which income increases, income elasticity of demand will be equal to
a. Unity b. elastic c. inelastic d. none of these
64. The price elasticity of demand is the
a. Ratio of percentage change in quantity demanded to the percentage change in price
b. Ratio of the change in price to the change in quantity demanded
c. Ratio of the change in quantity demanded to the change in price
d. Ratio of the percentage change in price to the percentage change in quantity demanded
65. Elasticity of demand measures the
a. Volume of product
b. Sensitivity of sales to change in a particular causal factor
c. Value of price and cost
d. Sensitivity of production to change in a particular cost
66. When demand is inelastic, an increase in the price of a commodity causes the total expenditures of a consumers of the commodity to
a. Increase b. decrease c. remain unchanged d. none of these
67. Demand is elastic when
a. Change in price does not change the demand
b. Change in fashion causes a great change in demand
c. Change in income causes a change in demand
d. Small change in price causes big changes in demand
68. Demand for electricity is elastic because
a. It is very expensive
b. It has alternative uses
c. It has a number of close substitutes
d. None of the above

69. % change in quantity demanded of good x / % change in the price of good y
This formula indicates to

- a. Cross price elasticity of demand
- b. Income elasticity of demand
- c. Price elasticity of supply
- d. Cost elasticity of supply

70. The nature of cross price elasticity of demand in case complementary products will be
a. Positive b. negative c. both a and b d. zero

71. What is the nature of elasticity of demand for luxury item like high class furniture?
a. Unit elastic c. fairly elastic
b. Highly elastic d. zero elastic

72. Elasticity of demand is based on which of the following factors?
a. Range of substitutes available
b. Joint demand
c. Proportion of income spent on the commodity
d. All of the above

73. The responsiveness of changes in quantity demanded to change in price of other commodity is known as
a. Price elasticity of demand
b. Income elasticity of demand
c. Cross elasticity of demand
d. None of the above

74. The responsiveness of changes in quantity demanded to change in price is known as
a. Price elasticity of demand
b. Income elasticity of demand
c. Cross elasticity of demand
d. None of the above

75. Types of income elasticity of demand is
a. Negative income elasticity
b. Zero income elasticity
c. Unit income elasticity
d. All of the above

76. The concept of price elasticity of demand measures
a. The slope of the demand curve
b. The number of buyers in a market
c. The extent to which the demand curve shifts as the result of a price decline
d. The sensitivity of consumers to price change

77. If a demand for a product is said to be elastic the value of the elasticity coefficient is
a. Zero c. equal to one
b. Greater than one d. less than one

78. The various degrees of price elasticity of demand can be shown on a single demand curve as per which one of the following?
- Total outlay method
 - Proportional method
 - Arc method
 - Geometrical method
79. Which of the following statements are incorrect?
- Elastic demand curve is shown by letter demand curve
 - Perfectly inelastic demand curve will be a horizontal straight line
 - Both a and b
 - None of the above
80. Calculate elasticity of demand when a 60% increase in the price of rice causes the amount of rice you buy to fall by 120%.
- 2
 - 4
 - 6
 - 8
81. When the income elasticity of demand is greater than unity, the commodity is
- A necessity
 - a luxury
 - inferior good
 - non-related good
82. Income elasticity is computed by the formula
83. The formula for calculating arc elasticity is
84. Elasticity of demand measures the
- Responsiveness of sales to change in advertisement expenditure
 - Responsiveness of demand to change in supply of goods
 - Change in price due to change in demand
 - Change in demand due to change in tastes of consumers
85. Cross elasticity of complementary goods is
- Negative
 - Zero
 - infinite
 - unitary
86. The larger the co-efficient of price elasticity of demand for a product the
- Larger the resulting price change for a given increase in supply
 - More rapid the rate at which the marginal utility of that product diminishes
 - Less competitive will be the industry supplying that product
 - Smaller the resulting price change for a given increase in supply
87. Elasticity is commonly stated in the form of
- 1% change
 - 5% change
 - 5% change
 - all of the above
88. If the cross price elasticity of demand between two goods is negative, then the two goods are

- a. Unrelated goods c. complements
- b. Substitutes d. normal goods

89. Income elasticity of demand is the percentage change in quantity demanded divided by the percentage change in income. Which type of goods have negative income elasticity of demand?

- a. Inferior goods c. substitute goods
- b. Normal goods d. complementary goods

90. Price discrimination is profitable and possible if the two markets have

- a. Equal elasticity of demand
- b. Different elasticity of demand
- c. Inelastic demand
- d. Highly elastic demand

91. Consider the following statements.

- 1. The demand for necessities is inelastic.
- 2. Demand for luxuries is elastic.
- 3. A product which has several uses has an elastic demand.

Which of the statements given above are correct

- a. 3 b. 2 3 c. 1 2 d. all of the above

92. Statement I. The objective of finance function is wealth maximization.
Statement II. The objective of finance function is profit maximization

Codes

- a. Both statements are correct
- b. Both statements are incorrect
- c. Statement I is correct statement II is incorrect
- d. Statement I is correct, statement II is correct

Directions (Q. Nos 93-98) In the questions given below are two statements labelled as Assertion A and Reason R. in the context of these two statements, which one of the following is correct?

- a. Both A and R are true
- b. Both A and R are false
- c. A is true but R is false
- d. R is true but A is false

93. Assertion (A). Business economics is tool centric facilitating decision making in business.
Reason (R). it provides an analytical understanding of economic activities.

94. Assertion (A) Demand curve shows that price and quantity demanded are inversely related.
Reason (R) demand curve illustrates the inverse relationship between the rate of change of demand and price.

95. Assertion (A) the law of demand states that when price falls demand rises and vice-versa.
Reason (R) the law of demand indicates the relationship between the price of commodity and the quantity demanded.

96. Assertion. Demand for a commodity refers to quantity of the commodity demanded at a certain price during any particular period of time.

Reason. Contraction of demand is the result of increase in the price of the good concerned.

97. Assertion. Baumols theory found that short run revenue maximization may be consistent with long-run as well.

Reason. Sales maximization is a long run goal.

98. Assertion. The demand for inferior goods has negative income elasticity.

Reason. Negative income elasticity refers to decrease in income owing to increase in price of a commodity.

Directions (Q nos 99-103) In the questions given below are two statements labelled as Assertions (A) and Reason (R). in the context of these two statements which one of the following is correct?

- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are true but R is not the correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

99. Assertion Giffen goods face negative price effect.

Reason. Giffen goods has a low demand with rise in its price.

100. Assertion. Extension of demand is shown as a downward movement on same demand curve.

Reason Extension of demand is caused due to change in other factors affecting demand.

101. Assertion Inferior goods face positive income effect.

Reason. Demand of inferior goods decreases as income of buyer rises.

102. Assertion. Demand curve for perfectly elastic demand is a vertical straight line.

Reason. Perfectly elastic demand is expressed as $e=0$

103. Assertion. Elastic demand curve is shown by rectangular hyperbola.

Reason. Elastic demand shows no change in demand due to price movement.

104. Match the following

List-I	List-II
A. Graphical presentation of demand for a consumer	1. Individual demand
B. Horizontal summation of quantity	2. Market demand

Codes:

- A B
- a. 1 2
- b. 2 1
- c. both are incorrect
- d. 1 1

105. Match the following

List-I	List-II
A. Normal demand curve	1. Vertical straight line
B. Income consumption curve	2. Downwards to the right
C. Inelastic demand curve	3. Upwards to the right

Codes:

	A	B	C
a.	2	3	1
b.	1	3	2
c.	2	1	3
d.	1	2	3

106. Match the following

List-I	List-II
A. Substitute goods	1. Income effect is positive
B. Complementary goods	2. Tea and coffee
C. Normal goods	3. Car and petrol
D. Inferior goods	4. Income effect is negative

Codes:

	A	B	C	D
a.	2	3	1	4
b.	1	2	3	4
c.	1	4	3	2
d.	4	3	2	1

107. Match the following

List-I	List-II
a. Robinson	1. The elasticity of demand at any point or at any output is the proportional change of amount purchased in response to a small change in price divided by the proportional change in price.
b. Boulding	2. The elasticity of demand may be defined as the percentage change in quantity demanded, which would result from 1% change in price.
c. Caim cross	3. The elasticity of demand for a commodity is the rate at which the quantity bought changes as the price changes.
d. Marshall	4. The elasticity for demand in a market is large or small according to how the amount of demand increases for a given fall in price and diminishes more or less for a given rise in prices

Codes

	A	B	C	D
a.	1	3	4	2

- b. 1 2 4 3
- c. 1 3 2 4
- d. 1 2 3 4

108. Match the following

List-I	List-II
a. Cross demand is the change in the quantity demanded of a given commodity in response to the	1. Relationship between the price of a commodity and the quantity demanded
b. The elasticity of demand for product will be higher	2. Change in the price of another commodity
c. The law of demand indicates	3. When price falls demand rises
d. The law of demand states	4. The more available are substitutes for that product.

Codes:

- a. A B C D
- a. 2 4 1 3
- b. 1 2 3 4
- c. 4 1 3 2
- d. 3 2 1 4

109. Match the following

List-I	List-II
A. Equilibrium price is the price where the	1. Complimentary goods
B. Excess supply can be defined as	2. Quantity demanded = quantity supplied
C. Tea and sugar	3. Quantity demanded – quantity supplied
D. Excess demand can be defined as	4. Quantity supplied – quantity demanded

Codes

- A B C D
- a. 2 4 1 3
- b. 1 2 3 4
- c. 4 1 3 2
- d. 3 2 1 4

110. Match the following

List-I	List-I
A. Increase in demand	1. Leftward shift of the demand curve
B. Extension of demand	2. Upward shift of the demand curve
C. Decrease in demand	3. Upward movement on the demand

	curve
D. Constriction of demand	4. Downward movement on the demand curve

Codes

	A	B	C	D
a.	2	4	1	3
b.	1	2	3	4
c.	4	1	3	2
d.	3	2	1	4

111. Match the following

List-I	List-II
A. Normal demand curve	1. Vertical straight line
B. Income consumption curve	2. Downwards to right
C. Inelastic demand curve	3. Infinity
D. Cross elasticity of demand between two perfect substitute will be	4. Upwards to the right

Codes:

	A	B	C	D
a.	2	4	1	3
b.	1	2	3	4
c.	4	1	3	2
d.	3	2	1	4

112. Match the following

List-I	List-II
a. Essential goods	1. Less than proportionate change in sale
b. Comforts	2. Almost proportionate change in sale
c. Luxuries	3. More than proportionate increase in sale
d. Prestige goods	4. Increase in sale

Codes:

	A	B	C	D
a.	1	2	3	4
b.	2	1	3	4
c.	2	4	1	3
d.	3	1	2	4

113. match the following

List-I	List-II
a. law of demand is fully applicable	1. giffen goods not applicable
b. law of demand is not applicable at all	2. veblon goods partly applicable
c. law of demand is partly applicable	3. normal goods fully applicable

Codes

	A	B	C
a.	1	2	3
b.	2	3	1
c.	3	1	2
d.	2	1	3

114. match the following

List-I	List-II
a. perfectly elastic demand	1. $e_0 = 1$
b. elastic demand	2. $e_0 > 1$
c. inelastic demand	3. $e_0 = 0$
d. perfectly inelastic demand	4. $e_0 = \infty$
e. unitary elastic demand	5. $e_0 < 1$

Codes

	A	B	C	D	E
a.	2	5	3	1	4
b.	4	2	5	3	1
c.	3	1	5	2	4
d.	1	2	3	4	5

115. question

116. match the following

List I	List-II
a. $e=0$	1. increase
b. $e<1$	2. decrease
c. $e=1$	3. no change
d. $e=\infty$	4. decrease to zero

Codes:

	A	B	C	D
a.	1	2	3	4

- b. 1 3 4 2
- c. 2 1 3 4
- d. 4 3 1 2

117. match the following

List-I	List-II
A. prof Robin	1. security profits
B. prof Milton kafogls	2. marris growth maximization
C. prof Rothschild	3. output maximisation

Codes:

- | | A | B | C |
|----|---|---|---|
| a. | 1 | 2 | 3 |
| b. | 2 | 3 | 1 |
| c. | 3 | 1 | 2 |
| d. | 2 | 1 | 3 |

118. match the following

List-I	List-II
a. decrease in own price	1. contraction in demand
b. unfavourable change in taste	2. extension in demand
c. increase in own price	3. decrease in demand

Codes

- | | A | B | C |
|----|---|---|---|
| a. | 2 | 1 | 3 |
| b. | 2 | 3 | 1 |
| c. | 1 | 2 | 3 |
| d. | 3 | 2 | 1 |

ANSWER KEYS

1=A	2=D	3=D	4=D	5=D	6=C	7=C	8=D	9=D	10=A
11=D	12=B	13=B	14=C	15=B	16=C	17=D	18=A	19=D	20=A
21=D	22=A	23=B	24=D	25=A	26=C	27=C	28=C	29=C	30=D
31=A	32=A	33=C	34=D	35=D	36=C	37=B	38=B	39=A	40=B
41=D	42=A	43=A	44=A	45=C	46=B	47=C	48=A	49=C	50=C
51=A	52=A	53=A	54=A	55=C	56=B	57=A	58=A	59=A	60=B
61=D	62=B	63=A	64=A	65=A	66=A	67=D	68=B	69=A	70=B
71=B	72=D	73=C	74=A	75=D	76=D	77=B	78=D	79=B	80=A

81=B	82=B	83=A	84=A	85=A	86=D	87=A	88=C	89=A	90=B
91=D	92=A	93=A	94=A	95=A	96=A	97=C	98=C	99=B	100=C
101=D	102=B	103=B	104=B	105=A	106=A	107=D	108=A	109=A	110=A
111=A	112=A	113=C	114=B	115=B	116=A	117=B	118=B		

PREVIOUS YEAR' QUESTIONS (2004-2019)

1. cardinal utility analysis of consumers behavior is based on which combination of the following assumptions.

1. Utility is measurable in terms of cardinal number.
2. Constancy of the marginal utility of money.
3. Utilities of different goods are interdependent.
4. Gossans first law of consumption.

Codes

- a. 1 2 b. 1 2 4 c. 2 3 4 d. 3 4

2. Match the items of list-I with items of list-II and choose the correct answer from the code given below

List-I	List-II
A. Income elasticity less than unity	1. Competitive goods
B. Cross elasticity less than unity	2. Inferior goods
C. Cross elasticity less than zero	3. Superior goods
D. Income elasticity less than zero	4. Complementary goods

Codes:

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 1 | 2 | 3 | 4 |
| b. | 4 | 3 | 2 | 1 |
| c. | 3 | 1 | 4 | 2 |
| d. | 4 | 1 | 2 | 3 |

3. The inverse relationship between the variation in the price and the variation in the quantity demanded is not due to

- Price effect
- Entry and exit of buyers
- Gossans law of consumption
- Law of substitution

4. A firm that produces highly substitute goods can adopt which one of the following pricing strategies?

- Transfer pricing
- Going rate pricing
- Product bundling
- Full cost pricing

5. Statement I. Business decision makers deal with the complex, rather chaotic, business conditions of the real world and have to find the way to their destination, that is achieving the goal that they set for themselves.

Statement II. Even without application of economic logic and tools of analysis, business decision are always rational and real and are not counter productive.

Codes:

- Both the statements are correct
- Both the statements are incorrect
- Statement I is correct while statement II is incorrect
- Statement I is incorrect while statement II is correct.

6. Statement I. Point price elasticity of demand in terms of marginal and average revenues can be measured with the following formula $AR/AR-MR$

Statement II The point price elasticity of demand is the product of the slope of the demand function and the ratio between corresponding price and quantity.

Codes

- Both the statements are correct
- Both the statements are incorrect
- Statement I is correct while statement II is incorrect
- Statement I is incorrect while statement II is correct

7. Match the items of list-I with items of list-II and indicate the code of their correct matching.

List-I	List-II
A. Non-price quantity relationships of demand	1. Extension and contraction of demand
B. Income effect of a price rise greater than its substitution effect	2. Ordinal utility approach
C. Transitivity and consistency of choices	3. Increase and decrease in demand
D. Price quantity relationship of demand	4. Giffen goods

Codes:

- | | A | B | C | D |
|----|---|---|---|---|
| a. | 4 | 2 | 3 | 1 |
| b. | 2 | 1 | 4 | 3 |
| c. | 3 | 4 | 2 | 1 |
| d. | 1 | 2 | 3 | 4 |

8. Match the following

List-I	List-II
A. Substitute goods	1. Negative cross elasticity
B. Complementary goods	2. Low price elasticity
C. Giffen goods	3. Positive cross elasticity
D. High income group consumption goods	4. Positive price elasticity

Codes

- | A | B | C | D |
|---|---|---|---|
|---|---|---|---|

- a. 3 4 2 1
b. 3 1 4 2
c. 2 3 1 4
d. 1 2 3 4

9. Assertion The quantity of a commodity demanded invariably changes inversely to changes in its price
Reason The price effect is the net result of the positive substitution effect and negative income effect

Codes

- a. Both A and R are true
b. A is true but R is false
c. A is false but R is true
d. both A and R are false

10. A rectangular hyperbola shaped demand curve on all its points has

- a. Equal slopes of the price demand curve
b. Price elasticity equal to unit
c. Varying price elasticity
d. Both slope and price elasticity equal

11. The following is the demand function in the small market = $50 - 5Q$

Where Q denotes quantity in physical units and P denotes price of the commodity. At price Rs 5, the point price elasticity of demand would be

- a. Zero
b. equal to unity
c. highly elastic
d. highly inelastic

12. The inverse relationship variations in the price and quantity demanded is not due to

- a. Income effect
b. Substitution effects
c. future expectations
d. law of diminishing marginal utility

13. Match the following

List-I	List-II
A. Zero income elasticity	1. Substitute goods
B. Unit cross elasticity	2. Complementary goods
C. Positive cross elasticity	3. Indifferent goods
D. Negative cross elasticity	4. Independent goods

Codes

- A B C D
a. 3 2 1 4
b. 2 3 4 1
c. 3 4 1 2
d. 4 1 2 3

14. Which one of the following does not explain the basic nature of business economics?
- Behavior of firms in theory and practice
 - Distribution theories like rent, wages and interest alongwith the theory of profit
 - Use of the tools of economic analysis in clarifying problems in organizing and evaluating information and in comparing alternative courses of action
 - Integration of economic theory with business practices for the purpose of facilitating decision making.

15. A rectangular hyperbola shaped demand curve on all its points has
- Equal slopes and equal point elasticities
 - Unequal slopes and unequal point elasticities
 - Unequal slope and equal point elasticities
 - Equal slopes and unequal point elasticities

16. A measure of the responsiveness of quantity demanded to changes in the price of a related good is known as
- Cross elasticity of demand
 - Substitution elasticity of demand
 - Complementary elasticity of demand
 - Price elasticity of demand

17. There is no exceptions to the law of demand in the case of
- Giffen goods
 - Normal goods
 - articles of conspicuous consumption
 - ignorance of the buyer

18. What is the degree of elasticity of demand in case the demand is represented by a straight line parallel to
- $e > 1$
 - $e = 0$
 - $e = \infty$
 - $e < 1$

19. match the following

List-I	List-II
a. contraction of demand	1. non-price change effect
b. decrease in demand	2. Demand curve remains the same
c. Increase in demand	3. Price change effect
d. Expansion of demand	4. Shifts the demand curve

Codes

	A	B	C	D
a.	3	2	4	2
b.	4	3	2	1
c.	1	2	3	4
d.	2	4	1	3

20. Demand must have the elements
- Desire
 - want
 - quantity, price and time
 - all of these

- 21.** Business economics is a subject which
- Studies economic relationships
 - Studies economic activities at the aggregate level
 - Deals with the tools of economics used for decision making in business
 - Studies optimum allocation of limited resources
- 22.** Assertion The demand curve has negative slope showing inverse relationship between price and the quantity demanded
Reason It applies only to giffen goods
- Codes
- Both A and R are true
 - A is true but R is false
 - A is false but R is true
 - Both A and R are false
- 23.** Which kind of economics explains the phenomenon of cause and effect relationships
- Normative
 - Positive
 - micro
 - macro
- 24.** If price of any commodity decrease by 20% and the demand for that commodity increase by 40% then elasticity of demand would be
- Perfectly elastic
 - Perfectly inelastic
 - Unit elastic
 - Highly Eleatic
- 25.** Which one of the following statement is true?
- In case of inferior goods, the income effect is negative although the substitution effect is positive
 - In inferior goods the income and substitution effect is positive
 - In inferior goods the income and substitution effect are negative
 - In case of inferior goods the income effect is positive althorugh the substitution effect is negative
- 26.** Normal demand drives slopes
- Upward
 - downward
 - horizontal
 - vertical

Answer keys

1=B	2=C	3=B	4=B	5=C	6=A	7=C	8=B	9=A	10=D
11=B	12=C	13=C	14=B	15=C	16=A	17=B	18=C	19=A	20=D
21=C	22=B	23=B	24=D	25=A	26=B				

PRACTICE SETS'

- 1.** Production function is based on which combination of the main feature of the inputs from the following
- 1.Substitutability
 - 2.Complementarity
 3. Flexibility
 4. Specificity

Codes

- a. 1 2 b. 1 3 4 c. 1 2 4 d. 3 1

2. The following are the two statements regarding concept of profit. Indicate the correct code of the statements being correct or incorrect.

Statement I Accounting profit is a surplus of total revenue over and above all paid out costs, including both manufacturing and overhead expenses

Statement II Economic or pure profit is a residual left after all contractual costs have been met, including the transfer costs or management, insurable risks, depreciation and payments to shareholders sufficient to maintain investment at its current level

Codes

- a. Both the statements are correct
b. Both the statements are incorrect
c. Statement I is correct while statement II is incorrect
d. Statement I is incorrect while statement II is correct

3. Which one of the following sets is incorrect to show the inter-relationships among price elasticity coefficient, change in price and change in total revenue?

Price elasticity coefficient	Change in price	Change in total revenue
a. Zero	Increase Decrease	Increase Decrease
b. Less than 1	Increase Decrease	Decrease Increase
c. Equal to 1	Increase Decrease	No change No change
d. More than 1	Increase Decrease	Decrease increase

4. Which one of the following is not the basic property of indifference curve?

- a. Indifference curves have a negative slope
b. Indifference curves of imperfect substitutes are concave to the origin
c. Indifference curves do not intersect nor are they tangent to one another
d. Upper indifference curves indicate higher level of satisfaction

5. Match the following

List-I	List-II
a. Economies of scale	1. Arise with lower average costs of manufacturing a product when two complementary products are produced by a single firm.
b. Internal economies	2. Mean lowering of costs of production by producing in bulk
c. External economies	3. Arise when cost per unit depends on size of the firm
d. Economies of scope	4. Arise when cost per unit depends on the size of the industry not the firm

Codes

	A	B	C	D
a.	2	4	1	3
b.	1	2	3	4
c.	2	3	4	1
d.	4	3	2	1

ANSWER KEYS

1=C	2=A	3=B	4=B	5=C
-----	-----	-----	-----	-----

5. .
6. Which one of the following statements is true?
- Pure profit is the return in excess of the opportunity cost
 - Accounting profit is the excess of total revenue over and above the explicit and implicit costs
 - Profit maximization is the sole objective of the modern firms
 - Profit is maximum when the difference between marginal revenue and marginal cost is maximum
7. Which one of the following is not the basic property of indifference curves?
- Negative slope
 - Indifference curves of two imperfect substitutes are concave to the point of origin
 - The indifference curves do not intersect nor are they tangent to one another
 - Upper indifference curves indicate a higher level of satisfaction
8. Statement I The least-cost or optimal input combination of labour capital requires that the marginal revenue productivity ratio of the two inputs should be equal to their price ration.
Statement II In a hypothetical production function of the following form $Q = L_1^3 + 15 L_2 + 10$

Where Q = quantity of the product and L = No of variable input the marginal physical productivity of labour is $L_2 + 15$

Codes

- Both statements are true
 - Both statements are false
 - Statement I is true while statement II is false
 - Statement I is false while statement II is true
9. From the following two statements of Assertion and Reason, indicate the correct code
Assertion From the marginal costing approach point of view, the marginal cost is compared with the purchase price.

Reason If the marginal cost is less than the purchase price it should be purchased rather than manufactured

Codes

- Both A and R are correct
- A is correct but R is not correct
- A is not correct but R is correct
- Both A and R are incorrect

10. The short run production function for a firm is as follows

$$Q = -L^3 + 15L^2 + 10L$$

Where Q denotes total output in physical units and L denotes units of labour which are homogeneous but are not perfectly divisible and change in labour does not tend to become zero.

Statement I In this production function, the marginal product of 5th unit of labour is 85.

Statement II similarly in this production function, the average product of the 5th unit of labour is 60.

Codes

- Both the statements are true
- Both the statements are false
- Statement I is true while statement II is false
- Statement I is false but statement II is true

11. Ordinal utility analysis of the consumers behavior is considered superior to the cardinal utility analysis mainly due to

- Assumption of the rationality of the consumers behavior
- Possibility of the derivation of the consumers demand
- Bifurcation of price effects into income and substitution effects
- Consideration of the available limited resources for satisfying consumers demand.

12. The minimum long run average cost can be determined on a

- LAC curve for a normal production function.
- LAC curve for a linear production function
- Planning curve
- Envelope curve

Codes

- 1 2 3
- 2 3 4
- 1 3 4
- 1 2 4

13. When labour is plotted on X axis and capital is plotted on Y axis and an isoquant is prepared, then which of the following statements are false?

- Marginal rate of technical substitution of labour for capital is equal to the slope of the iso-quant.
- Marginal rate of technical substitution of labour for capital is equal to change in the units of capital divided by the change in the units of labour.
- Marginal rate of technical substitution of labour for capital is the ratio of marginal productivity of capital to marginal productivity of labour.

Codes

- 1 2
- 3
- 1
- 2

14. Match the following

List-I	List-II
a. Convexity of the indifference curve to origin	1. Indifference curve analysis
b. Quantity of certain goods sacrificed for a large quantity of other goods.	2. Consumers equilibrium
c. Equality of the ratio of the marginal utilities with that of the prices of the two goods	3. Substitutability or complementarity of the two goods
d. Separation of substitution and income effects from the total price effect	4. Marginal rate of substitution

Codes

	A	B	C	D
a.	4	2	1	3
b.	3	4	2	1
c.	3	1	4	2
d.	1	3	2	4

15. In case the elasticity of demand on an average revenue curve is equal to unity, the marginal revenue will be
- a. More than unity c. equal to a fraction of unity
b. Equal to unity d. equal to zero
16. The marshallian utility analysis is based on a less valid assumption of
- a. Cardinal measurability of the utility
b. Given marginal utility of money
c. Diminishing marginal utility of the goods
d. Additivity of the utility

17. Match the following

List-i	List-II
A. Q=10.2 K0.19 L0.88	1. CONSTANT RETURNS TO SCALE
B. Q=1.01 L0.75 K0.25	2. DIMINISHING RETURNS TO SCALE
C. Q=0.84 L0.63 K 0.3	3. INCREASING RETURNS TI SCALE

Codes

	A	B	C
a.	1	2	3
b.	2	1	3
c.	2	3	1
d.	1	3	2

18. Which one of the following statement is false?
- a. Normally a price demand curve slopes downward from left to right

- b. Economics of scale and economies of slope are the same
- c. For optimization equality between marginal cost and marginal revenue is a necessary condition but it is not a sufficient one
- d. Law of variable proportions denotes input-output relationship during short run

19. Match the following.

List-I	List-II
A. Law of diminishing marginal utility	1. Cross demand
B. Relationship between price of one commodity and demand for other commodity	2. Oligopoly
C. Skimming the cream policy	3. Cardinal approach
D. Price rigidity	4. Pioneer pricing

Codes

	A	B	C	D
a.	1	2	3	4
b.	3	1	2	4
c.	2	4	1	3
d.	4	3	2	1

20. Consumer is said to be in equilibrium maximizing his total utility when
- a. The marginal utilities of the two goods consumed are equal
 - b. The proportions of the marginal utilities and respective prices are equal
 - c. The consumer gets full satisfaction from the consumption
 - d. The consumer feels satisfied with his expenditure on the various goods

21. Statement I The isoquant curves are drawn convex to the origin due to diminishing technical rate substitution.

Statement II The lesser the convexity of the isoquant curve, the greater the possibility of the complementarity of the two inputs.

- a. Both statements are true
- b. Statement I is true but statement II is false
- c. Statement I is false but statement II is true
- d. Both statements are false

22. Marginal costing technique is useful for

- a. Make or buy decisions
- b. Profit planning
- c. Shutdown decisions
- d. All of the above

23. At a point of satiety for a commodity the marginal utility is

- a. Negative
- b. Positive
- c. zero
- d. highly positive

24. Match the following

List-I	List-II
a. Excess of profit total revenue over total explicit cost	1. Normal profit
b. Total profit revenue equals total economic cost	2. Economic profit
c. Excess of total revenue over total oof explicit and implicit costs and a normal rate of return	3. Accounting profit

Codes

	A	B	C
a.	3	1	2
b.	2	1	3
c.	1	2	3
d.	1	3	2

25. Assertion (A) A monopoly firms revenue curve is downward sloping from left to right.
Reason (R) The monopoly firm does not simultaneously enjoy the freedom to determine both price and quantity to be sold according to its whims and fancy.

Codes

- Both A and R are true
- Both A and R are false
- A is true but R is false
- A is false but R is true

26. Match the following

List-I	List-II
a. Cross elasticity is zero	1. Price=AVC
b. Shut down point	2. Two commodities are independent
c. Slutsky theorem	3. Transformation line
d. Production possibility	4. Substitution effect

Codes

	A	B	C	D
a.	2	4	1	3
b.	3	2	1	4
c.	1	3	2	4
d.	2	1	4	3

27. The consumer is said to be in equilibrium when he plans his expenditure on x, y and z commodities in such a way that he ultimately attains

- $MU_x = MU_y = M_z$

- b. $MU_x/P_x = MU_y/P_y = M_z/P_z$
 c. $MU_x/P_x = MU_y/P_y = MU_z/P_z = M_u$
 d. $MU_x/P_x < MU_y/P_y < MU_z/P_z < M_u$

28. Match the following

List-I	List-II
a. Monopoly	1. Price taker
b. Monopolistic competition	2. Homogeneous products price maker
c. Perfect competition	3. Heterogeneous product
d. Oligopoly	4. Price rigidity

Codes

	A	B	C	D
a.	2	3	1	4
b.	1	2	4	3
c.	3	4	2	1
d.	4	1	3	2

29. Optimal input combination to minimize the cost for a given output will be at the point where
 a. Isocost is tangent to isoquant
 b. MRTS between inputs is equal
 c. Any movement from optimum point will lead to low level of output
 d. All of the above conditions are fulfilled

30. Match the following

List-I	List-II
a. Indifference curve	1. Slopes downward to the right
b. Demand curve	2. $P=AR=MR=d$
c. Perfect competition	3. Oligopoly
d. Price leadership	4. Convex to the origin

Codes

	A	B	C	D
a.	2	3	4	1
b.	3	4	1	2
c.	4	1	2	3
d.	1	2	3	4

31. Assertion A. want satisfying power of a commodity is called its utility.
 Reason R. utility may not have the feature of morality.
 Codes

- a. Both A and R are correct
 b. A is correct but R is not correct

- c. Both A and R are not correct
- d. R is correct but A is not correct

32. Assertion A. As the proportion of one variable factor in a combination with fixed factor is increased after a point the marginal product of the factor will diminish.
Reason R. beyond the level of optimum combination of inputs leads to this.

Codes

- a. R is appropriate reason of A
- b. R is not appropriate reason of A
- c. A and R are not related with each other
- d. A is independent of R

33. Price marginal revenue and elasticity are related to each other. When $e=1$, then
a. $MR>0$ b. $MR<0$ c. $MR=0$ d. $MR=1$

34. Match the following

List-I	List-II
a. Utilitarian approach	1. Marginal rate of substitution
b. Ordinal approach	2. Budget line and indifference curve
c. Price consumption curve	3. $U = f(x, y)$
d. Consumer equilibrium	4. $MRS_{xy} = MR_{syx}$

Codes

	A	B	C	D
a.	1	4	3	2
b.	2	3	4	1
c.	3	1	2	4
d.	4	2	1	3

35. Assertion A. Marginal cost and differential cost do not convey the same meaning in all the circumstances.

Reason R. Differential cost increases or decreases due to change in fixed cost

Codes:

- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are true but R is not the correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

36. When average cost is declining

- a. Marginal cost must be declining
- b. Marginal cost must be above average cost
- c. Marginal cost must be below average cost
- d. Marginal cost must be rising

37. Assertion A. Total utility will be maximum when marginal utility to price of respective products are equal.

Reason R. Deviation from this situation leads to reduction in maximum utility

Codes

- a. Both A and R are true
- b. Both A and R are false
- c. A is true but R is false
- d. A is false but R is true

Answer keys

1=C	2=A	3=B	4=B	5=C	6=A	7=B	8=D	9=D	10=B
11=C	12=D	13=C	14=B	15=D	16=A	17=B	18=B	19=B	20=B
21=B	22=C	23=C	24=A	25=C	26=D	27=C	28=A	29=A	30=C
31=A	32=A	33=C	34=C	35=C	36=C	37=C			

UNIT-5

BUSINESS FINANCE

1. Under which of the following method the time value of money is not considered –

- a) Net present value method,
- b) Internal rate of return method,
- c) Pay-back period method,
- d) all of the above.

Ans : c

2. Which one of the following represents number of years required to recover the initial investment?

- a) Accounting rate of return,
- b) Pay-back period,
- c) Internal rate of return,
- d) Net present value.

Ans : b

3. Other things being equal, stocks which are highly liquid command

- a) higher dividend payout ratio,
- b) lower dividend payout ratio,
- c) higher P/E ratio,
- d) lower P/E ratio.

Ans : c

4. Weighted average cost of capital may contain

- I. Cost of equity,
- II. Cost of debt,
- III. Cost of goods purchased,
- IV. Cost of initial investment.

Find the correct combination according to the code –

- a) I, II and III are correct
- b) II, III and IV are correct
- c) III and IV are correct
- d) I and II are correct.

Ans: d

5. When a firm proposes to acquire another firm, the merger proposal may be viewed as a –

- a) working capital management proposal,
- b) capital budgeting proposal,
- c) financing decision,
- d) dividend decision.

Ans : b

6. Which is the limitation of traditional approach of financial management?

- a) more emphasis on long-term problems,
- b) outsiders approach,
- c) ignores allocation of resources,
- d) all of the above.

Ans : d

7. Which one is the external source of fund?

- a) letters of credit,
- b) finance from companies,
- c) advance from customers,
- d) all of the above.

Ans : d

8. Paid-up value is payable on a life insurance policy –

- a) on the maturity of policy,
- b) when the policy lapses,
- c) when the policy is surrendered,
- d) on maturity or death whichever is earlier.

Ans : d

9. Financial management includes –

- a) measurement of performance,
- b) finance funding,
- c) working capital management,
- d) all of the above.

Ans : d

10. The finance manager plays an important role in –

- a) liquidation decision,
- b) funding decisions,
- c) amalgamation,
- d) all of the above.

Ans : d

11. Financial management is a part of –

- a) accounting,
- b) business management,
- c) financial accounting,
- d) all of these.

Ans : d

12. The nominal rate of interest is equal to –

- a) Real rate + Risk premium + Inflation
- b) Real rate + Risk premium – Inflation
- c) Risk premium + Inflation
- d) none of the above.

Ans : a

13. Which one is the internal source of finance?

- a) outstanding payment,
- b) provision of taxation,
- c) depreciation funds,
- d) all of these.

Ans : d

14 Sinking fund factor is the reciprocal of –

- a) Future Value Interest Factor (FVIF)
- b) Present Value Interest Factor (PVIF)
- c) Future Value Interest Factor of Annuity (FVIFA)
- d) Present Value Interest Factor of Annuity (PVIFA)

Ans : c

15. Profit maximization is –

- a) an indicator of economic efficiency,
- b) a source of incentive,
- c) maximization of social benefit,
- d) all of the above.

Ans : d

16. Which is the assumption of Modigliani and Miller approach to cost of capital?

- a) the capital markets are assumed to be perfect,
- b) the firms can be classified into homogeneous risk class,
- c) all investors have the same expectations from a firm's net operating income which is necessary to evaluate the value of a firm,
- d) all of the above.

Ans : d

17. Which one is the type of leverage?

- a) operation leverage,
- b) financial leverage,
- c) cost leverage,
- d) both 'a' and 'b'

Ans : d

18. Dividend is the income for the –

- a) stakeholders,
- b) shareholders,
- c) company,
- d) suppliers.

Ans : b

19. If cash inflows are not uniform, the calculation of pay-back period takes a –

- a) common position,
- b) favourable position,
- c) cumulative position,
- d) all of these.

Ans : b

20. Which one is a type of value?

- a) book value,
c) domestic value,
b) wholesale value,
d) firm value.

Ans : a

21. Super profit method is used to calculate which type of value?

- a) Plant and machinery,
c) Shares,
b) Goodwill,
d) Book-debts.

Ans : b

22. What is the advantages of 'NPV method'?

- a) This method considers the entire economic life of the project,
b) It takes into account the objectives of maximum profitability,
c) This method can be applied where cash inflows are even,
d) All of the above.

Ans : d

23. Which factor determines capital structure?

- a) Risk,
c) Trading on equity,
b) Cost of capital,
d) all of the above.

Ans : d

24. Total Assets – Total Liabilities is equal to –

- a) Net assets,
c) Net depreciation,
b) Net worth,
d) NPV.

Ans : a

25. The proposal is rejected in case the profitability index is –

- a) less than one,
c) less than two,
b) less than zero,
d) less than five.

Ans : a

26. The proposal accepted if the profitability index is more than –

- a) one,
c) zero,
b) two,
d) three.

Ans : a

27. The ownership capital of Joint Stock Companies is divided into –

- a) equity shares,
c) debentures,
b) bonds,
d) loans and preference shares.

Ans : a

28. Which factor determines dividend policy?

- a) debt repayment,
c) public opinion,
b) stability of income,
d) all of these.

Ans : d

29. Current assets less current liabilities is equal to –

- a) working capital,
c) goodwill,
b) reserve,
d) all of these.

Ans : a

30. Capital budgeting is related to –

- a) long-term planning,
c) profit making,
b) short-term funding,
d) dividend policy.

Ans : a

31. Dividends are the of a company distributed amongst members in proportion to their shares.

- a) assets with cash and bank,
- b) reserve,
- c) divisible profits,
- d) indivisible profits.

Ans : c

32. Capital budgeting process involves –

- a) evaluation of various proposals,
- b) screening the proposals,
- c) identification of investment proposals,
- d) all of the above.

Ans : d

33. The payment of dividend is not compulsory on –

- a) equity share capital and preference share capital,
- b) bonds,
- c) debentures,
- d) share capital.

Ans : d

34. Capital budgeting is also known as –

- a) cost of capital,
- b) capital expenditure,
- c) cost of sales,
- d) profit.

Ans : b

35. Which ratio explains that how much portion of earning is distributed in the form of dividend?

- a) Dividend per share ratio,
- b) Pay-out ration,
- c) Earning yield ratio,
- d) Equity capital ratio.

Ans : b

36. When did Capital Redemption Reserve Account opened?

- a) al the time of equity repayment,
- b) at the time of preference share redemption,
- c) at the time of reserve,
- d) at the time in operating a business.

Ans : b

37. Capital budgeting is also known as –

- a) planning capital expenditure,
- b) capital expenditure decisions,
- c) investment decision making,
- d) all of the above.

Ans : d

38. Which method of capital budgeting is called cash benefit ratio?

- a) pay-back period,
- b) net present value,
- c) pay-out period,
- d) profitability index number.

Ans : d

39. Which one is the method of capital budgeting?

- a) NPV method,
- b) ROR method,
- c) Pay-back period,
- d) all of these.

Ans : d

40. Preference shares are –

- a) less risky,
- b) more flexible and more risky,
- c) costly,
- d) non-redeemable.

Ans : a

41. Cost of capital is helpful in corporative analysis of various –

- a) source of finance,
- b) source of services,
- c) source of material,
- d) source of man-power.

Ans : a

42. The cost of debt capital is calculated on the basis of –

- a) net proceeds,
- b) annual interest,
- c) capital,
- d) annual depreciation.

Ans : a

43. Reserve is a / an –

- a) additional part of profit,
- b) additional loss,
- c) liability,
- d) cost.

Ans : a

44. Cost of depreciation fund is computed as –

- a) long term loan capital,
- b) dividend,
- c) short-term loan capital ,
- d) profit.

Ans : a

45. After declaration dividends are paid to the shareholders as per the provision of –

- a) Indian Companies Act,
- b) RBI Act,
- c) SEBI Act,
- d) Indian Contract Act.

Ans : c

46. Which one is the determinant of dividend policy?

- a) working capital management,
- b) liquidity position,
- c) legal requirement,
- d) all of the above.

Ans : d

47. Which one is the form of dividend?

- a) cash dividend,
- b) bond dividend,
- c) stock dividend,
- d) all of these.

Ans : d

48. Dividend is the portion of –

- a) current assets,
- b) debt,
- c) net worth of the company,
- d) profit of the company.

Ans : d

49. The Gordon's model of dividend policy is based on the fact that –

- a) the firm has perpetual life,
- b) r and K of the firm remain unchanged,
- c) the firm only uses retained earnings for financing its investment of dividend,
- d) all of the above.

Ans : d

50. Factoring is a –

- a) financial planning,
- b) production planning,
- c) costing,
- d) new financial service.

Ans : d

PEACTICE MCQs

1. Market values are often used in computing the weighted average cost of capital because

- a) this is the simplest way to do the calculation.
- b) this is consistent with the goal of maximizing shareholder value.
- c) this is required in the U.S. by the Securities and Exchange Commission.

- d) this is a very common mistake.
2. Rank in ascending order (i.e., 1 = lowest, while 3 = highest) the likely after-tax component costs of a Company's long-term financing.
- 1 = bonds; 2 = common stock; 3 = preferred stock.
 - 1 = bonds; 2 = preferred stock; 3 = common stock.
 - 1 = common stock; 2 = preferred stock; 3 = bonds.
 - 1 = preferred stock; 2 = common stock; 3 = bonds.
3. The term "capital structure" refers to:
- long-term debt, preferred stock, and common stock equity.
 - current assets and current liabilities.
 - total assets minus liabilities.
 - shareholders' equity.
4. A critical assumption of the net operating income (NOI) approach to valuation is:
- that debt and equity levels remain unchanged.
 - that dividends increase at a constant rate.
 - that k_o remains constant regardless of changes in leverage.
 - that interest expense and taxes are included in the calculation
5. The traditional approach towards the valuation of a company assumes:
- that the overall capitalization rate holds constant with changes in financial leverage.
 - that there is an optimum capital structure.
 - that total risk is not altered by changes in the capital structure.
 - that markets are perfect.
6. Two firms that are virtually identical except for their capital structure are selling in the market at different values. According to M&M
- one will be at greater risk of bankruptcy.
 - the firm with greater financial leverage will have the higher value.
 - this proves that markets cannot be efficient.
 - this will not continue because arbitrage will eventually cause the firms to sell at the same value.
7. What is the value of the tax shield if the value of the firm is \$5 million, its value if unlevered would be \$4.78 million, and the present value of bankruptcy and agency costs is \$360,000?
- \$140,000
 - \$220,000
 - \$360,000
 - \$580,000
8. Reserves & Surplus are which form of financing?
- Security Financing
 - Internal Financing
 - Loans Financing
 - International Financing
9. What are the different options other than cash used for distributing profits to shareholders?
- Bonus shares
 - Stock split
 - Stock purchase
 - All of these
10. In Walter model formula D stands for
- Dividend per share
 - Direct Dividend
 - Dividend Earning
 - None of these
11. In MM model MM stands for...
- M.Khan and Modigliani
 - Miller and M.Khan
 - Modigliani and M.Khan
 - Miller and Modigliani
12. The addition of all current assets investment is known as...

- a. Net Working Capital b. Gross Working capital
c. Temporary Working Capital d. All of these
13. When total current assets exceeds total current liabilities it refers to.
a. Gross Working Capital b. Temporary Working Capital
c. Both a and b d. Net Working Capital
14. Which of the following would not be financed from working capital?
a) Cash float. b) Accounts receivable.
c) Credit sales. d) A new personal computer for the office.
15. What is the difference between the current ratio and the quick ratio?
a) The current ratio includes inventories and the quick ratio does not.
b) The current ratio does not include inventories and the quick ratio does.
c) The current ratio includes physical capital and the quick ratio does not.
d) The current ratio does not include physical capital and the quick ratio does.
16. Which of the following working capital strategies is the most aggressive?
a) Making greater use of short term finance and maximizing net short term asset.
b) Making greater use of long term finance and minimizing net short term asset.
c) Making greater use of short term finance and minimizing net short term asset.
d) Making greater use of long term finance and maximizing net short term asset.
17. Which of the following is not a metric to use for measuring the length of the cash cycle?
a) Acid test days. b) Accounts receivable days.
c) Accounts payable days. d) Inventory days.
18. Which of the following is not the responsibility of financial management?
a) allocation of funds to current and capital assets
b) obtaining the best mix of financing alternatives
c) preparation of the firm's accounting statements
d) development of an appropriate dividend policy
19. Which of the following are not among the daily activities of financial management?
a) sale of shares and bonds b) credit management
c) inventory control d) the receipt and disbursement of funds
20. Debt Equity Ratio is 3:1, the amount of total assets Rs.20 lac, current ratio is 1.5:1 and owned funds Rs.3 lac. What is the amount of current asset?
a. Rs.5 lac b. Rs.3 lac
c. Rs.12 lac d. none of the above.
21. Banks generally prefer Debt Equity Ratio at :
a) 1:1 b) 1:3 c) 2:1 d) 3:1
22. An asset is a-
a. Source of fund b. Use of fund
c. Inflow of funds d. none of the above.
23. If a company issues bonus shares the debt equity ratio will
a. Remain unaffected b. Will be affected
c. Will improve d. none of the above.
24. In the balance sheet amount of total assets is Rs.10 lac, current liabilities Rs.5 lac & capital & reserves are Rs.2 lac .What is the debt equity ratio?

- a) 1;1 b) 1.5:1 c) 2:1 d) none of the above.
25. In last year the current ratio was 3:1 and quick ratio was 2:1. Presently current ratio is 3:1 but quick ratio is 1:1. This indicates comparably
- a. high liquidity b. higher stock
c. lower stock d. low liquidity
26. Current ratio of a concern is 1, its net working capital will be
- a) Positive b) Negative
c) Nil d) None of the above
27. Current ratio is 4:1. Net Working Capital is Rs.30,000. Find the amount of current Assets.
- a) Rs.10,000 b) Rs.40,000
c) Rs.24,000 d) Rs.6,000
28. Current ratio is 2:5. Current liability is Rs.30,000. The Net working capital is
- a) Rs.18,000 b) Rs.45,000
c) Rs.(-) 45,000 d) Rs.(-) 18,000
29. Quick assets do not include
- a. Govt. bond b. Book debts
c. Advance for supply of raw materials d. Inventories.
30. The ideal quick ratio is
- a) 2:1 b) 1:1 c) 5:1 d) 4:2

EXPECTED MCQs

- "Shareholder wealth" in a firm is represented by:
 - the number of people employed in the firm.
 - the book value of the firm's assets less the book value of its liabilities
 - the amount of salary paid to its employees.
 - the market price per share of the firm's common stock.
- The long-run objective of financial management is to:
 - maximize earnings per share.
 - maximize the value of the firm's common stock.
 - maximize return on investment.
 - maximize market share.
- What are the earnings per share (EPS) for a company that earned Rs. 100,000 last year in after-tax profits, has 200,000 common shares outstanding and Rs. 1.2 million in retained earnings at the year end?
 - Rs. 100,000
 - Rs. 6.00
 - Rs. 0.50
 - Rs. 6.50
- A(n) would be an example of a principal, while a(n) would be an example of an agent.
 - shareholder; manager
 - manager; owner
 - accountant; bondholder
 - shareholder; bondholder
- The market price of a share of common stock is determined by:
 - the board of directors of the firm.
 - the stock exchange on which the stock is listed.
 - the president of the company.
 - individuals buying and selling the stock.
- The focal point of financial management in a firm is:
 - the number and types of products or services provided by the firm.
 - the minimization of the amount of taxes paid by the firm.

- c) the creation of value for shareholders.
d) the dollars profits earned by the firm.

7. _____ of a firm refers to the composition of its long-term funds and its capital structure.

- a) Capitalisation
b) Over-capitalisation
c) Under-capitalisation
d) Market capitalization

8. In the _____, the future value of all cash inflow at the end of time horizon at a particular rate of interest is calculated.

- a) Risk-free rate
b) Compounding technique
c) Discounting technique
d) Risk Premium

9. _____ is the price at which the bond is traded in the stock exchange.

- a) Redemption value
b) Face value
c) Market value
d) Maturity value

10. _____ enhance the market value of shares and therefore equity capital is not free of cost.

- a) Face value
b) Dividends
c) Redemption value
d) Book value

11. In _____ approach, the capital structure decision is relevant to the valuation of the firm.

- a) Net income
b) Net operating income
c) Traditional
d) Miller and Modigliani

12. When _____ is greater than zero the project should be accepted.

- a) Internal rate of return
b) Profitability index
c) Net present value
d) Modified internal rate of return

13. _____ is defined as the length of time required to recover the initial cash out-lay.

- a) Payback-period
b) Inventory conversion period
c) Discounted payback-period
d) Budget period

14. _____ refers to the amount invested in various components of current assets.

- a) Temporary working capital
b) Net working capital
c) Gross working capital
d) Permanent working capital

15. _____ is the length of time between the firm's actual cash expenditure and its own cash receipt.

- a) Net operating cycle
b) Cash conversion cycle
c) Working capital cycle
d) Gross operating cycle

16. _____ refers to a firm holding some cash to meet its routine expenses that are incurred in the ordinary course of business.

- a) Speculative motive
b) Transaction motive
c) Precautionary motive
d) Compensating motive

17. _____ refers to the length of time allowed by a firm for its customers to make payment for their purchases.

- a) Holding period
b) Pay-back period
c) Average collection period
d) Credit period

18. Amounts due from customers when goods are sold on credit are called _____.

- a) Trade balance
b) Trade debits
c) Trade discount
d) Trade off

19. _____ and _____ are the two versions of goals of the financial management of the firm.

- a) Profit maximisation, Wealth maximization b) Production maximisation, Sales maximisation
c) Sales maximisation, Profit maximization d) Value maximisation, Wealth maximisation

20. Consider the below mentioned statements:

1. A company is considered to be overcapitalised when its actual capitalisation is lower than the proper capitalisation as warranted by the earning capacity
2. Both over-capitalisation and under-capitalisation are detrimental to the interests of the society.

State True or False:

- a) 1-True, 2-True
c) 1-False, 2-False
- b) 1-False, 2-True
d) 1-True, 2-False

21. Consider the below mentioned statements:

1. The dividends are not cumulative for equity shareholders, that is, they cannot be accumulated and distributed in the later years.
2. Dividends are taxable.

State True or False:

- a) 1-True, 2-True
b) 1-False, 2-True
c) 1-False, 2-False
d) 1-True, 2-False

22. _____ and _____ carry a fixed rate of interest and are to be paid off irrespective of the firm's revenues.

- a) Debentures, Dividends
b) Debentures, Bonds
c) Dividends, Bonds
d) Dividends, Treasury notes

23. Consider the below mentioned statements:

1. A debt-equity ratio of 2:1 indicates that for every 1 unit of equity, the company can raise 2 units of debt.
2. The cost of floating a debt is greater than the cost of floating an equity issue.

State True or False:

- a) 1-True, 2-True
b) 1-False, 2-True
c) 1-False, 2-False
d) 1-True, 2-False

24. Credit policy of every company is largely influenced by _____ and _____.

- a) Liquidity, accountability
b) Liquidity, profitability
c) Liability, profitability
d) Liability, liquidity

25. XYZ is an oil based business company, which does not have adequate working capital. It fails to meet its current obligation, which leads to bankruptcy. Identify the type of decision involved to prevent risk of bankruptcy.

- a) Investment decision
- b) Dividend decision
- c) Liquidity decision
- d) Finance decision

26. The rate of interest offered by the fixed deposit scheme of a bank for 365 days and above is 12%. What will be the status of Rs. 20000, after two years if it is invested at this point of time?

- a) Rs. 28032
b) Rs. 24048
c) Rs. 22056
d) Rs. 25088

27. How are earnings per share calculated?

- Use the income statement to determine earnings after taxes (net income) and divide by the previous period's earnings after taxes. Then subtract 1 from the previously calculated value.
- Use the income statement to determine earnings after taxes (net income) and divide by the number of common shares outstanding.
- Use the income statement to determine earnings after taxes (net income) and divide by the number of common and preferred shares outstanding.
- Use the income statement to determine earnings after taxes (net income) and divide by the forecasted period's earnings after taxes. Then subtract 1 from the previously calculated value.

28. Which of the following would NOT improve the current ratio?

- a) Borrow short term to finance additional fixed assets.
- b) Issue long-term debt to buy inventory.
- c) Sell common stock to reduce current
- d. none of these

29. The gross profit margin is unchanged, but the net profit margin declined over the same period. This could have happened if

- a) cost of goods sold increased relative to sales.
- b) sales increased relative to expenses.
- c) Govt. increased the tax rate.
- d) dividends were decreased.

30. Palo Alto Industries has a debt-to-equity ratio of 1.6 compared with the industry average of 1.4. This means that the company

- a) will not experience any difficulty with its creditors.
- b) has less liquidity than other firms in the industry.
- c) will be viewed as having high creditworthiness.
- d) has greater than average financial risk when compared to other firms in its industry.

31. Kanji Company had sales last year of Rs. 265 million, including cash sales of Rs. 25 million. If its average collection period was 36 days, its ending accounts receivable balance is closest to . (Assume a 365-day year.)

- a) Rs. 26.1 million
- b) Rs. 23.7 million
- c) Rs. 7.4 million
- d) Rs. 18.7 million

32. A company can improve (lower) its debt-to-total assets ratio by doing which of the following?

- a) Borrow more.
- b) Shift short-term to long-term debt.
- c) Shift long-term to short-term debt.
- d) Sell common stock.

33. Which of the following statements (in general) is correct?

- a) A low receivables turnover is desirable.
- b) The lower the total debt-to-equity ratio, the lower the financial risk for a firm.
- c) An increase in net profit margin with no change in sales or assets means a poor ROI.
- d) The higher the tax rate for a firm, the lower the interest coverage ratio.

34. Debt-to-total assets (D/TA) ratio is .4. What is its debt-to-equity (D/E) ratio?

- a) .2
- b) .6
- c) .667
- d) .333

35. A firm's operating cycle is equal to its inventory turnover in days (ITD)

- a) plus its receivable turnover in days (RTD).
- b) minus its RTD.
- c) plus its RTD minus its payable turnover in days (PTD).
- d) minus its RTD minus its PTD.

36. If the following are balance sheet changes:

Rs. 5,005 decrease in accounts receivable

Rs. 7,000 decrease in cash

Rs. 12,012 decrease in notes payable

Rs. 10,001 increase in accounts payable

a "use" of funds would be the:

- a) Rs. 7,000 decrease in cash.
- b) Rs. 5,005 decrease in accounts receivable.
- c) Rs. 10,001 increase in accounts payable.
- d) Rs. 12,012 decrease in notes payable.

37. Uses of funds include a (an):

- a) decrease in cash.
- b) increase in any liability.

c) increase in fixed assets.

d) tax refund.

38. Which of the following would be included in a cash estimation/ budget?

a) depreciation charges.

b) dividends.

c) goodwill.

d) patent amortization.

39. Which of the following is NOT a cash outflow for the firm?

a) depreciation.

b) dividends.

c) interest payments.

d) taxes.

40. Which of the following would be considered a application of funds?

a) a decrease in accounts receivable.

b) a decrease in cash.

c) an increase in account payable.

d) an increase in cash.

41. All of the following influence capital budgeting cash flows EXCEPT:

a) accelerated depreciation.

b) salvage value.

c) tax rate changes.

d) method of project financing used.

42. The estimated benefits from a project are expressed as cash flows instead of income flows because:

a) it is simpler to calculate cash flows than income flows.

b) it is cash, not accounting income, that is central to the firm's capital budgeting decision.

c) this is required by the Internal Revenue Service.

d) this is required by the Securities and Exchange Commission.

43. A capital investment is one that

a) has the prospect of long-term benefits.

b) has the prospect of short-term benefits.

c) is only undertaken by large corporations.

d) applies only to investment in fixed assets.

44. A profitability index of .85 for a project means that:

a) the present value of benefits is 85% greater than the project's costs.

b) the project's NPV is greater than zero.

c) the project returns 85 cents in present value for each current dollar invested.

d) the payback period is less than one year.

45. Which of the following statements is correct?

a) If the NPV of a project is greater than 0, its PI will equal 0.

b) If the IRR of a project is 0%, its NPV, using a discount rate, k, greater than 0, will be 0.

c) If the PI of a project is less than 1, its NPV should be less than 0.

d) If the IRR of a project is greater than the discount rate, k, its PI will be less than 1 and its NPV will be greater than 0.

46. A project's profitability index is equal to the ratio of the of a project's future cash flows to the project's .

a) present value; initial cash outlay

b) net present value; initial cash outlay

c) present value; depreciable basis

d) net present value; depreciable basis

47. The discount rate at which two projects have identical is referred to as Fisher's rate of intersection.

a) present values

b) net present values

c) IRRs

d) profitability indexes

48. Two mutually exclusive investment proposals have "scale differences" (i.e., the cost of the projects differ). Ranking these projects on the basis of IRR, NPV, and PI methods give contradictory results.

a) will never

b) will always

c) may

d) will generally

49. Preferred shareholders' claims on assets and income of a firm come those of creditors those of common shareholders.
- a) before; and also before
 - b) after; but before
 - c) after; and also after
 - d) equal to; and equal to
50. You are considering two mutually exclusive investment proposals, project A and project B. B's expected value of net present value is \$1,000 less than that for A and A has less dispersion. On the basis of risk and return, you would say that
- a) Project A dominates project B.
 - b) Project B dominates project A.
 - c) Project A is more risky and should offer greater expected value.
 - d) Each project is high on one variable, so the two are basically equal.
51. To increase a given present value, the discount rate should be adjusted
- a) upward.
 - b) downward.
 - c) No change.
 - d) constant
52. In finance, "working capital" means the same thing as
- a) total assets.
 - b) fixed assets.
 - c) current assets.
 - d) current assets minus current liabilities.
53. Which of the following would be consistent with a more aggressive approach to financing working capital?
- a) Financing short-term needs with short-term funds.
 - b) Financing permanent inventory buildup with long-term debt.
 - c) Financing seasonal needs with short-term funds.
 - d) Financing some long-term needs with short-term funds.
54. Which asset-liability combination would most likely result in the firm's having the greatest risk of technical insolvency?
- a) Increasing current assets while lowering current liabilities.
 - b) Increasing current assets while incurring more current liabilities.
 - c) Reducing current assets, increasing current liabilities, and reducing long-term debt.
 - d) Replacing short-term debt with equity.
55. Which of the following illustrates the use of a hedging (or matching) approach to financing?
- a) Short-term assets financed with long-term liabilities.
 - b) Permanent working capital financed with long-term liabilities.
 - c) Short-term assets financed with equity.
 - d) All assets financed with 50 percent equity, 50 percent long-term debt mixture.
56. In deciding the appropriate level of current assets for the firm, management is confronted with
- a) a trade-off between profitability and risk.
 - b) a trade-off between liquidity and marketability.
 - c) a trade-off between equity and debt.
 - d) a trade-off between short-term versus long-term borrowing.
57. varies inversely with profitability.
- a) Liquidity.
 - b) Risk.
 - c) Financing.
 - d) Liabilities.
58. Spontaneous financing includes
- a) accounts receivable.
 - b) accounts payable.
 - c) short-term loans.
 - d) a line of credit.

59. Permanent working capital
a) varies with seasonal needs.
b) includes fixed assets.
c) is the amount of current assets required to meet a firm's long-term minimum needs.
d) includes accounts payable
60. Financing a long-lived asset with short-term financing would be
a) an example of "moderate risk -- moderate (potential) profitability" asset financing.
b) an example of "low risk -- low (potential) profitability" asset financing.
c) an example of "high risk -- high (potential) profitability" asset financing.
d) an example of the "hedging approach" to financing.
61. Net working capital refers to
a) total assets minus fixed assets.
b) current assets minus current liabilities.
c) current assets minus inventories.
d) current assets.
62. Marketable securities are primarily
a) short-term debt instruments.
b) short-term equity securities.
c) long-term debt instruments.
d) long-term equity securities.
63. Which would be an appropriate investment for temporarily idle corporate cash that will be used to pay quarterly dividends three months from now?
a) A long-term AAA-rated corporate bond with a current annual yield of 9.4 percent.
b) A 30-year Treasury bond with a current annual yield of 8.7 percent.
c) Ninety-day commercial paper with a current annual yield of 6.2 percent.
d) Common stock that has been appreciating in price 8 percent annually, on average, and paying a quarterly dividend that is the equivalent of a 5 percent annual yield.
64. Which of the following marketable securities is the obligation of a commercial bank?
a) Commercial paper
b) Negotiable certificate of deposit
c) Repurchase agreement
d) T-bills
65. The basic requirement for a firm's marketable securities.
a) Safety
b) Yield
c) Marketability
d) All of the above.
66. A firm's inventory turnover (IT) is 5 times on a cost of goods sold (COGS) of \$800,000. If the IT is improved to 8 times while the COGS remains the same, a substantial amount of funds is released from or additionally invested in inventory. In fact,
a) \$160,000 is released.
b) \$100,000 is additionally invested.
c) \$60,000 is additionally invested.
d) \$60,000 is released.
67. Ninety-percent of X company's total sales of \$600,000 is on credit. If its year-end receivables turnover is 5, the average collection period (based on a 365-day year) and the year-end receivables are, respectively:
a) 365 days and \$108,000.
b) 73 days and \$120,000.
c) 73 days and \$108,000.
d) 81 days and \$108,000.
68. Costs of not carrying enough inventory include:
a) lost sales.
b) customer disappointment.
c) possible worker layoffs.
d) all of these.
69. Which of the following relationships hold true for safety stock?
a) the greater the risk of running out of stock, the smaller the safety of stock.
b) the larger the opportunity cost of the funds invested in inventory, the larger the safety stock.
c) the greater the uncertainty associated with forecasted demand, the smaller the safety stock.

d) the higher the profit margin per unit, the higher the safety stock necessary.

70. Increasing the credit period from 30 to 60 days, in response to a similar action taken by all of our competitors, would likely result in:

- a) an increase in the average collection period.
- b) a decrease in bad debt losses.
- c) an increase in sales.
- d) higher profits.

71. The credit policy of Spurling Products is "1.5/10, net 35." At present 30% of the customers take the discount, 62% pay within the net period, and the rest pay within 45 days of invoice. What would receivables be if all customers took the cash discount?

- a) Lower than the present level.
- b) No change from the present level.
- c) Higher than the present level.
- d) Unable to determine without more information.

72. An increase in the firm's receivable turnover ratio means that:

- a) it is collecting credit sales more quickly than before.
- b) cash sales have decreased.
- c) it has initiated more liberal credit terms.
- d) inventories have increased.

73. A single, overall cost of capital is often used to evaluate projects because:

- a) it avoids the problem of computing the required rate of return for each investment proposal.
- b) it is the only way to measure a firm's required return.
- c) it acknowledges that most new investment projects have about the same degree of risk.
- d) it acknowledges that most new investment projects offer about the same expected return.

74. The cost of equity capital is all of the following EXCEPT:

- a) the minimum rate that a firm should earn on the equity-financed part of an investment.
- b) a return on the equity-financed portion of an investment that, at worst, leaves the market price of the stock unchanged.
- c) by far the most difficult component cost to estimate.
- d) generally lower than the before-tax cost of debt.

75. In calculating the proportional amount of equity financing employed by a firm, we should use:

- a) the common stock equity account on the firm's balance sheet.
- b) the sum of common stock and preferred stock on the balance sheet.
- c) the book value of the firm.
- d) the current market price per share of common stock times the number of shares outstanding.

76. In calculating the costs of the individual components of a firm's financing, the corporate tax rate is important to which of the following component cost formulas?

- a) common stock.
- b) debt.
- c) preferred stock.
- d) none of the above.

77. The common stock of a company must provide a higher expected return than the debt of the same company because

- a) there is less demand for stock than for bonds.
- b) there is greater demand for stock than for bonds.
- c) there is more systematic risk involved for the common stock.
- d) there is a market premium required for bonds.

78. A quick approximation of the typical firm's cost of equity may be calculated by

- a) adding a 5 percent risk premium to the firm's before-tax cost of debt.
- b) adding a 5 percent risk premium to the firm's after-tax cost of debt.

- c) subtracting a 5 percent risk discount from the firm's before-tax cost of debt.
- d) subtracting a 5 percent risk discount from the firm's after-tax cost of debt.

79. Market values are often used in computing the weighted average cost of capital because

- a) this is the simplest way to do the calculation.
- b) this is consistent with the goal of maximizing shareholder value.
- c) this is required in the U.S. by the Securities and Exchange Commission.
- d) this is a very common mistake.

80. Rank in ascending order (i.e., 1 = lowest, while 3 = highest) the likely after-tax component costs of a Company's long-term financing.

- a) 1 = bonds; 2 = common stock; 3 = preferred stock.
- b) 1 = bonds; 2 = preferred stock; 3 = common stock.
- c) 1 = common stock; 2 = preferred stock; 3 = bonds.
- d) 1 = preferred stock; 2 = common stock; 3 = bonds.

81. Lei-Feng, Inc.'s \$100 par value preferred stock just paid its \$10 per share annual dividend. The preferred stock has a current market price of \$96 a share. The firm's marginal tax rate (combined federal and state) is 40 percent, and the firm plans to maintain its current capital structure relationship into the future. The component cost of preferred stock to Lei-Feng, Inc. would be closest to .

- a) 6 percent
- b) 6.25 percent
- c) 10 percent
- d) 10.4 percent

82. The term "capital structure" refers to:

- a) long-term debt, preferred stock, and common stock equity.
- b) current assets and current liabilities.
- c) total assets minus liabilities.
- d) shareholders' equity.

83. A critical assumption of the net operating income (NOI) approach to valuation is:

- a) that debt and equity levels remain unchanged.
- b) that dividends increase at a constant rate.
- c) that ko remains constant regardless of changes in leverage.
- d) that interest expense and taxes are included in the calculation.

84. The traditional approach towards the valuation of a company assumes:

- a) that the overall capitalization rate holds constant with changes in financial leverage.
- b) that there is an optimum capital structure.
- c) that total risk is not altered by changes in the capital structure.
- d) that markets are perfect.

85. Two firms that are virtually identical except for their capital structure are selling in the market at different values. According to M&M

- a) one will be at greater risk of bankruptcy.
- b) the firm with greater financial leverage will have the higher value.
- c) this proves that markets cannot be efficient.
- d) this will not continue because arbitrage will eventually cause the firms to sell at the same value.

86. What is the value of the tax shield if the value of the firm is \$5 million, its value if unlevered would be \$4.78 million, and the present value of bankruptcy and agency costs is \$360,000?

- a) \$140,000
- b) \$220,000
- c) \$360,000
- d) \$580,000

87. Reserves & Surplus are which form of financing?

- a) Security Financing
- b) Internal Financing

- c) Loans Financing d) International Financing

88. What are the different options other than cash used for distributing profits to shareholders?

- a) Bonus shares b) Stock split
c) Stock purchase d) All of these

89. In Walter model formula D stands for

- a) Dividend per share b) Direct Dividend
c) Dividend Earning d) None of these

90. In MM model MM stands for...

- a. M.Khan and Modigliani b. Miller and M.Khan
c. Modigliani and M.Khan d. Miller and Modigliani

91. The addition of all current assets investment is known as...

- a. Net Working Capital b. Gross Working capital
c. Temporary Working Capital d. All of these

92. When total current assets exceeds total current liabilities it refers to.

- a. Gross Working Capital b. Temporary Working Capital
c. Both a and b d. Net Working Capital

93. If the weighting of equity in total capital is $\frac{1}{3}$, that of debt is $\frac{2}{3}$, the return on equity is 15% that of debt is 10% and the corporate tax rate is 32%, what is the Weighted Average Cost of Capital (WACC)?

- a) 10.533% b) 7.533%
c) 9.533% d) 11.350%

94. Which of the following would not be financed from working capital?

- a) Cash float. b) Accounts receivable.
c) Credit sales. d) A new personal computer for the office.

95. What is the difference between the current ratio and the quick ratio?

- a) The current ratio includes inventories and the quick ratio does not.
b) The current ratio does not include inventories and the quick ratio does.
c) The current ratio includes physical capital and the quick ratio does not.
d) The current ratio does not include physical capital and the quick ratio does.

96. Which of the following working capital strategies is the most aggressive?

- a) Making greater use of short term finance and maximizing net short term asset.
b) Making greater use of long term finance and minimizing net short term asset.
c) Making greater use of short term finance and minimizing net short term asset.
d) Making greater use of long term finance and maximizing net short term asset.

97. Which of the following is not a metric to use for measuring the length of the cash cycle?

- a) Acid test days. b) Accounts receivable days.
c) Accounts payable days. d) Inventory days.

98. Which of the following is not the responsibility of financial management?

- a) allocation of funds to current and capital assets
b) obtaining the best mix of financing alternatives
c) preparation of the firm's accounting statements
d) development of an appropriate dividend policy

99. Which of the following are not among the daily activities of financial management?

- a) sale of shares and bonds b) credit management

- c) inventory control d) the receipt and disbursement of funds
100. Debt Equity Ratio is 3:1,the amount of total assets Rs.20 lac,current ratio is 1.5:1 and owned funds Rs.3 lac.What is the amount of current asset?
- a) Rs.5 lac b) Rs.3 lac c) Rs.12 lac d) none of the above.
101. Banks generally prefer Debt Equity Ratio at :
- a) 1:1 b) 1:3 c) 2:1 d) 3:1
102. An asset is a
- a. Source of fund b. Use of fund c. Inflow of funds d. none of the above.
103. If a company issues bonus shares the debt equity ratio will
- a) Remain unaffected b) Will be affected c) Will improve d) none of the above.

IMPORTANT MCQs

1. A single, overall cost of capital is often used to evaluate projects because:
 - a. It avoids the problem of computing the required rate of return for each investment proposal.
 - b. It is the only way to measure a firm's required return.
 - c. It acknowledges that most new investment projects have about the same degree of risk.
 - d. It acknowledges that most new investment projects offer about the same expected return.
2. The weighted average cost of capital for a firm is the:
 - a. Discount rate which the firm should apply to all of the projects it undertakes.
 - b. Rate of return a firm must earn on its existing assets to maintain the current value of its stock.
 - c. Coupon rate the firm should expect to pay on its next bond issue.
 - d. Maximum rate which the firm should require on any projects it undertakes.
 - e. Required rate which every project's internal rate of return must exceed.
3. If the CAPM is used to estimate the cost of equity capital, the expected excess market return is equal to the:
 - a. Return on the stock minus the risk-free rate.
 - b. Difference between the return on the market and the risk-free rate.
 - c. Beta times the market risk premium.
 - d. Beta times the risk-free rate.
 - e. Market rate of return
4. The best fit line of a pair wise plot of the returns of the security against the market index returns is called the:
 - a. Security Market Line.
 - b. Capital Market Line.
 - c. Characteristic line.
 - d. Risk line.
 - e. None of the above
5. The weighted average cost of capital for a firm is the:
 - a. Discount rate which the firm should apply to all of the projects it undertakes.
 - b. Overall rate which the firm must earn on its existing assets to maintain the value of its stock.
 - c. Rate the firm should expect to pay on its next bond issue.
 - d. Maximum rate which the firm should require on any projects it undertakes.
 - e. Rate of return that the firm's preferred stockholders should expect to earn over the long term.
6. Using the CAPM to calculate the cost of capital for a risky project assumes that:
 - a. using the firm's beta is the same measure of risk as the project.

- b. the firm is all-equity financed.
- c. the financial risk is equal to business risk.
- d. Both A and B.**
- e. Both A and C.

7. If the project beta and IRR coordinates plot above the SML the project should be:

- a. accepted.**
- b. rejected.
- c. It is impossible to tell.
- d. It will depend on the NPV.
- e. None of the above.

8. Beta measures depend highly on the:

- a. direction of the market variance.
- b. overall cycle of the market.
- c. variance of the market and asset, but not their co-movement.
- d. covariance of the security with the market and how they are correlated.
- e. All of the above.**

9. The formula for calculating beta is given by the dividing the _____ of the stock with the market portfolio by the _____ of the market portfolio.

- a. variance; covariance
- b. covariance; variance**
- c. standard deviation; variance
- d. expected return; variance
- e. expected return; covariance

10. The slope of the characteristic line is the estimated:

- a. intercept.
- b. beta.**
- c. unsystematic risk.
- d. market variance.
- e. market risk premium

11. Betas may vary substantially across an industry. The decision to use the industry or firm beta: to estimate the cost of capital depends on

- a. how small the estimation errors are of all betas across industries.
- b. how similar the firm's operations are to the operations of all other firms in the industry.**
- c. whether the company is a leader or follower.
- d. the size of the company's public float.
- e. None of the above

12. A firm with high operating leverage has:

- a. low fixed costs in its production process.
- b. high variable costs in its production process.
- c. high fixed costs in its production process.**
- d. high price per unit.
- e. low price per unit.

13. If a firm has low fixed costs relative to all other firms in the same industry, a large change in sales volume (either up or down) would have:

- a. a smaller change in EBIT for the firm versus the other firms.**
- b. no effect in any way on the firms as volume does not effect fixed costs.
- c. a decreasing effect on the cyclical nature of the business.
- d. a larger change in EBIT for the firm versus the other firms.
- e. None of the above

14. A firm with high operating leverage is characterized by _____ while one with high financial leverage is characterized by _____.

- a. low fixed cost of production; low fixed financial costs
- b. high variable cost of production; high variable financial costs

- c. high fixed costs of production; high fixed financial costs
- d. low costs of production; high fixed financial costs
- e. high fixed costs of production; low variable financial costs

15. Which one of the following statements is correct concerning the weighted average cost of capital (WACC)?

- a. The WACC may decrease as a firm's debt-equity ratio increases.
- b. When computing the WACC, the weight assigned to the preferred stock is based on the coupon rate multiplied by the par value of the stock.
- c. A firm's WACC will decrease as the corporate tax rate decreases.
- d. The weight of the common stock used in the computation of the WACC is based on the number of shares outstanding multiplied by the book value per share.
- e. The WACC will remain constant unless a firm retires some of its debt.

16. Flotation costs should:

- a) Be ignored when analyzing a project because flotation costs are not an actual cost of the project.
- b) Be averaged over the life of the project thereby reducing the cash flows for each year of the project.
- c) Only be considered when two projects have the same net present value.
- d) Be included in the initial cost of a project before the net present value of the project is computed.
- e) Be ignored totally when internal equity funding is utilized.

17. The cost of equity capital is all of the following EXCEPT:

- a. The minimum rate that a firm should earn on the equity-financed part of an investment.
- b. A return on the equity-financed portion of an investment that, at worst, leaves the market price of the stock unchanged.
- c. By far the most difficult component cost to estimate.
- d. Generally lower than the before-tax cost of debt

18. In calculating the proportional amount of equity financing employed by a firm, we should Use:

- a. The common stock equity account on the firm's balance sheet.
- b. The sum of common stock and preferred stock on the balance sheet.
- c. The book value of the firm.
- d. The current market price per share of common stock times the number of shares outstanding.

19. To compute the required rate of return for equity in a company using the CAPM, it is necessary to know all of the following EXCEPT:

- a. The risk-free rate.
- b. The beta for the firm.
- c. The earnings for the next time period.
- d. The market return expected for the time period

20. In calculating the costs of the individual components of a firm's financing, the corporate tax rate is important to which of the following component cost formulas?

- a. Common stock.
- b. Debt.
- c. Preferred stock.
- d. None of the above.

21. The common stock of a company must provide a higher expected return than the debt of the same company because

- a. There is less demand for stock than for bonds.
- b. There is greater demand for stock than for bonds.
- c. There is more systematic risk involved for the common stock.
- d. There is a market premium required for bonds.

22. For an all-equity financed firm, a project whose expected rate of return plots should be rejected.

- a. Above the characteristic line
- b. Above the security market line

- c. Below the security market line d. Below the characteristic line

23. The term "capital structure" refers to:

- a. Long-term debt, preferred stock, and common stock equity.
- b. Current assets and current liabilities.
- c. Total assets minus liabilities.
- d. Shareholders' equity.

24. A critical assumption of the net operating income (NOI) approach to valuation is:

- a. That debt and equity levels remain unchanged.
- b. That dividends increase at a constant rate.
- c. That k_o remains constant regardless of changes in leverage.
- d. That interest expense and taxes are included in the calculation.

25. The traditional approach towards the valuation of a company assumes:

- a. That the overall capitalization rate holds constant with changes in financial leverage.
- b. That there is an optimum capital structure.
- c. That total risk is not altered by changes in the capital structure.
- d. That markets are perfect

26. Two firms that are virtually identical except for their capital structure are selling in the market at different values. According to M&M

- a. One will be at greater risk of bankruptcy.
- b. The firm with greater financial leverage will have the higher value.
- c. This proves that markets cannot be efficient.
- d. This will not continue because arbitrage will eventually cause the firms to sell at the same value.

27. A firm's degree of operating leverage (DOL) depends primarily upon its

- a. Sales variability.
- b. Level of fixed operating costs.
- c. Closeness to its operating break-even point.
- d. Debt-to-equity ratio.

28. An EBIT-EPS indifference analysis chart is used for

- a. Evaluating the effects of business risk on EPS.
- b. Examining EPS results for alternative financing plans at varying EBIT levels.
- c. Determining the impact of a change in sales on EBIT.
- d. Showing the changes in EPS quality over time.

29. EBIT is usually the same thing as:

- a. Funds provided by operations.
- b. Earnings before taxes.
- c. Net income.
- d. Operating profit.

30. In the context of operating leverage break-even analysis, if selling price per unit rises and all other variables remain constant, the operating break-even point in units will:

- a. Fall.
- b. Rise.
- c. Stay the same.
- d. Still be indeterminate until interest and preferred dividends paid are known.

31. The Capital Asset Pricing Model (CAPM) disregards diversifiable risk because the model

- a) Assumes that investors are risk neutral but not risk averse.
- b) Assumes that investors will be holding anywhere from one security to the entire market of securities.
- c) Assumes that diversifiable risk represents that aspect of financial risk which is unique to that security and not related to the financial risk of the market.
- d) Recognizes that diversifiable risk can be virtually eliminated with a large enough portfolios

32. An asset's market (systematic) risk is measured by its

- a) Variance of returns.
- b) **Beta coefficient.**
- c) Standard deviation.
- d) Total return.

33. Retained earnings are

- a) An indication of a company's liquidity.
- b) The same as cash in the bank.
- c) Not important when determining dividends.
- d) **The cumulative earnings of the company after dividends.**

34. Which of the following is an argument for the relevance of dividends?

- a) Informational content.
- b) Reduction of uncertainty.
- c) Some investors' preference for current income.
- d) **All of the above.**

35. The dividend-payout ratio is equal to

- a) The dividend yield plus the capital gains yield.
- b) **Dividends per share divided by earnings per share.**
- c) Dividends per share divided by par value per share.
- d) Dividends per share divided by current price per share.

36. This type of risk is avoidable through proper diversification.

- a) Portfolio risk
- b) Systematic risk
- c) **Unsystematic risk**
- d) Total risk

37. A statistical measure of the degree to which two variables (e.g., securities' returns) move together.

- a) Coefficient of variation
- b) Variance
- c) **Covariance**
- d) Certainty equivalent

38. A line that describes the relationship between an individual security's returns and returns on the market portfolio.

- a) **Characteristic line**
- b) Security market line
- c) Capital market line
- d) Beta

39. According to the capital-asset pricing model (CAPM), a security's expected (required) return is equal to the risk-free rate plus a premium

- a) **Equal to the security's beta.**
- b) Based on the unsystematic risk of the security.
- c) Based on the total risk of the security.
- d) Based on the systematic risk of the security.

40. Beta is the slope of

- a) The security market line.
- b) The capital market line.
- c) **A characteristic line.**
- d) The CAPM

41. A measure of "risk per unit of expected return."

- a) Standard deviation
- b) **Coefficient of variation**
- c) Correlation coefficient
- d) Beta

42. The greater the beta, the.....of the security involved.

- a) **Greater the unavoidable risk**
- b) Greater the avoidable risk
- c) Less the unavoidable risk
- d) Less the avoidable risk

43. Which of the following factors is most likely to explain why a company decides to increase its annual dividend?

- a) A firm belief by management that dividends represent a residual payment

- b) A large number of desirable projects.
- c) A large proportion of its shares are owned by institutional investors
- d) Pecking order theory
- e) Poor cash flows

44. Which of the following statements is consistent with dividend irrelevance theory?

- a) Investment decisions are the sole determinant of shareholder wealth
- b) Making homemade dividends causes investors to incur transaction costs
- c) Companies with stable dividend policies build up shareholder clienteles
- d) Investors like to maintain the real value of their dividend payments.
- e) Institutional investors like to match regular payments with regular income

45. Which of the following techniques does not reward shareholders for investing in a company?

- a) Repurchasing company shares.
- b) Offering non-pecuniary benefits.
- c) Making a rights issue.
- d) Offering a scrip dividend.
- e) Paying a final dividend

46. Which of the following examples best represents a passive dividend policy?

- a. The firm sets a policy such that the proportion of dividends paid from net income remains constant.
- b. The firm pays dividends with what remains of net income after taking acceptable investment projects
- c. The firm sets a policy such that the quantity (dollar amount per share) of dividends paid from net income remains constant.
- d. All of the above are examples of various types of passive dividend policies

47. Modigliani and Miller argue that the dividend decision _____.

- a. is irrelevant as the value of the firm is based on the earning power of its assets
- b. is relevant as the value of the firm is not based just on the earning power of its assets
- c. is irrelevant as dividends represent cash leaving the firm to shareholders, who own the firm anyway
- d. is relevant as cash outflow always influences other firm decisions

48. A (n) _____ is a payment of additional shares to shareholders in lieu of cash.

- a. stock split
- b. stock dividend
- c. extra dividend
- d. regular dividend

49. A (n) _____ occurs when there is an increase in the number of shares outstanding by reducing the par value of stock.

- a. stock split
- b. stock dividend
- c. extra dividend
- d. regular dividend

50. A (n) _____ is the expected cash dividend that is normally paid to shareholders.

- a. stock split
- b. stock dividend
- c. extra dividend
- d. regular dividend

51. _____ is a nonrecurring dividend paid to shareholders in addition to the regular dividend.

- a. A stock split
- b. A stock dividend
- c. An extra dividend
- d. A regular dividend

52. What method of stock repurchase occurs when the buyer seeks bids within a specified price range and accepts the lowest price that will allow it to acquire the entire block of securities desired?

- a. Dutch-auction
- b. Fixed-price
- c. Open-market
- d. Fair-warning

53. What method of stock repurchase occurs when the buyer purchases securities through a brokerage house?

- a. Dutch-auction
- b. Fixed-price

c. Open-market

d. Fair-warning

54. A dividend reinvestment plan (DRIP) is _____.

a. an optional plan, provided by brokerage firms, allowing shareholders to automatically reinvest dividend payments in additional shares of the firm's stock.

b. an optional plan, provided by large corporate firms, allowing shareholders to automatically reinvest dividend payments in additional shares of the firm's stock.

c. a mandatory plan, provided by brokerage firms, where shareholders are automatically reinvesting dividend payments in additional shares of the firm's stock at a reduced price.

d. a mandatory plan, provided by large corporate firms, where shareholders are automatically reinvesting dividend payments in additional shares of the firm's stock at a reduced price.

55. Which of the following is not a reason that a firm would prefer to pay a stock dividend rather than a regular cash dividend?

a. It decreases the supply of shares and enhances shareholder wealth.

b. It may conserve cash for other firm needs.

c. It will reduce the stock price into what management perceives as a more beneficial trading range.

d. It may convey information about the firm to investors that it cannot convey credibly otherwise

56. According to the authors of your text, the repurchase of stock is considered _____ decision rather than _____ decision.

a. an investment; a financing

b. a financing; an investment

c. an investment; a dividend

d. a dividend; a financing

57. The portfolio performance evaluation measure, known as M-squared, uses _____ as the relevant measure of risk and is based on the ex-post capital market line.

a) standard deviation

b) arithmetic mean

c) variation

d) beta

58. If markets are in equilibrium, which of the following will occur:

a. Each investment's expected return should equal its realized return.

b. Each investment's expected return should equal its required return.

c. Each investment should have the same expected return.

d. Each investment should have the same realized return.

e. All of the statements above are correct.

59. Which of the following statements best describes the optimal capital structure?

a. The optimal capital structure is the mix of debt, equity, and preferred stock that maximizes the company's earnings per share (EPS).

b. The optimal capital structure is the mix of debt, equity, and preferred stock that maximizes the company's stock price.

c. The optimal capital structure is the mix of debt, equity, and preferred stock that minimizes the company's weighted average cost of capital (WACC).

d. Statements a and b are correct.

e. Statements b and c are correct.

60. Which of the following factors is likely to encourage a corporation to increase the proportion of debt in its capital structure?

a. An increase in the corporate tax rate.

b. An increase in the personal tax rate.

c. An increase in the company's degree of operating leverage.

d. The company's assets become less liquid.

61. Myron Gordon and John Lintner believe that the required return on equity increases as the dividend payout ratio is decreased. Their argument is based on the assumption that

- a. Investors are indifferent between dividends and capital gains.
- b. Investors require that the dividend yield and capital gains yield equal a constant.
- c. Capital gains are taxed at a higher rate than dividends.
- d. Investors view dividends as being less risky than potential future capital gains.**
- e. Investors value a dollar of expected capital gains more highly than a dollar of expected dividends because of the lower tax rate on capital gains.

62. Which of the following statements is most correct?

- a. In general, stock repurchases are taxed the same way as dividends.
- b. One nice feature of dividend reinvestment plans is that they enable investors to reduce the taxes paid on their dividends.
- c. On average, companies send a negative signal to the marketplace when they announce an increase in their dividend.
- d. If a company is interested in issuing new equity capital, a new stock dividend reinvestment plan probably makes more sense than an open market dividend reinvestment plan.**
- e. Statements b and d are correct.

63. In the real world, we find that dividends

- a. Usually exhibit greater stability than earnings.**
- b. Fluctuate more widely than earnings.
- c. Tend to be a lower percentage of earnings for mature firms.
- d. Are usually changed every year to reflect earnings changes.
- e. Are usually set as a fixed percentage of earnings.

64. A decrease in a firm's willingness to pay dividends is likely to result from an increase in its

- a. Earnings stability.
- b. Access to capital markets.
- c. Profitable investment opportunities.**
- d. Collection of accounts receivable.
- e. Stock price

65. Which of the following statements best describes the theories of investors' preferences for dividends?

- a. Modigliani and Miller argue that investors prefer dividends to capital gains.
- b. The bird-in-hand theory suggests that a company can reduce its cost of equity capital by reducing its dividend payout ratio.
- c. The tax preference theory suggests that a company can increase its stock price by increasing its dividend payout ratio.
- d. One key advantage of a residual dividend policy is that it enables a company to follow a stable dividend policy.
- e. The clientele effect suggests that companies should follow a stable dividend policy.**

66. Which of the following would not have an influence on the optimal dividend policy?

- a. The possibility of accelerating or delaying investment projects.
- b. A strong shareholders' preference for current income versus capital gains.
- c. Bond indenture constraints.
- d. The costs associated with selling new common stock.
- e. All of the statements above can have an effect on dividend policy**

PRACTICE SET'

1. finance is required for
 - a. social development
 - b. economic development
 - c. industrial development
 - d. all of these

2. finance is related to
a. monetary resources c. borrowing
b. tax planning d. lending
3. form of government international of finance is
a. technical assistance c. grant
b. debt d. all of these
4. external source of finance do not include
a. debentures c. overdrafts
b. leasing d. retained earnings
5. internal source of finance do not include
a. ordinary shares
b. better management of working capital
c. retained earnings
d. trade credit
6. which of the following is an example of owners fund?
a. Debentures c. public deposits
b. Equity shares d. commercial papers
7. Which of the following is an external source of finance?
a. Lease financing c. retained earnings
b. Equity shares d. all of these
8. Which of the following is an internal source of finance?
a. Factoring c. retained earnings
b. Trade credit d. debentures
9. Funds required for purchasing current assets is an example of
a. Fixed capital requirements
b. Lease financing
c. Working capital requirements
d. Ploughing back of profits
10. Public deposits are the deposits, that are raised directly from
a. The public c. the auditors
b. The directors d. the owners
11. Equity shareholders are called
a. Guardian of the company
b. Owners of the company
c. Partners of the company
d. Executives of the company
12. Which of the following is not a source of long term finance?

- a. Trade credit
b. Debentures
- c. retained earnings
d. equity shares
- 13.** Which of the following is not a source of short term finance
- a. Factoring
b. Commercial papers
- c. trade credit
d. retained earnings
- 14.** Finance made available by specialized financial institutions is called
- a. Institutional finance
b. Business finance
- c. public finance
d. all of these
- 15.** Debentures represent
- a. Fixed capital of the company
b. Permanent capital of the company
c. Fluctuating capital of the company
d. Loan capital of the company
- 16.** The maturity period of a commercial paper usually ranges from
- a. 20 to 40 days
b. 60 to 90 days
- c. 120 to 365 days
d. 90 to 364 days
- 17.** Which is not a form of short-term spontaneous credit?
- a. Commercial paper
b. Accrued wages
- c. trade credit
d. accrued taxes
- 18.** Short term loans are for a period of
- a. One year
b. Two years
- c. three years
d. six months
- 19.** Medium term loans are for a period of
- a. Three months
b. One year
- c. three years
d. five years
- 20.** long term loans are for a period of
- a. One year
b. Five years
- c. more than five years
d. none of these
- 21.** In finance, working capital means the same thing as
- a. Total assets
b. Fixed assets
- c. current assets
d. none of these
- 22.** Government grants are generally offered to businesses in
- a. Prosperous areas
b. Cold areas
- c. economically deprived areas
d. areas with high employment
- 23.** Which of the source of mid-term finance?

- a. Micro credit
- b. Specialized financial institution
- c. collect advances from purchasers
- d. discounting the bills receivable

24. _____ varies inversely with profitability

- a. Liquidity
- b. Risk
- c. return
- d. loss

25. We should keep our savings with banks because

- a. It is safe
- b. Earns interest
- c. can be withdrawn anytime
- d. all of the above

26. Bank pays interest on

- a. Deposits
- b. Loan
- c. both a and b
- d. neither a nor b

27. Personal saving

- 1. Is that part of personal income that is not consumed.
- 2. Equals income minus consumption.

Codes:

- a. Only 1
- b. Only 2
- c. both 1 and 2
- d. neither 1 nor 2

28. Permanent working capital

- a. Varies with seasonal needs
- b. Includes fixed assets
- c. Is the amount of current assets
- d. Includes amounts payable

29. If a bank thinks lending money to a certain business is risky, it will

- a. Charge a lower interest rate
- b. Charge a higher interest rate
- c. Send the business packing
- d. Think about it

30. Share capital is

- a. Money given to a company by shareholders in return for a stake in the business
- b. Business borrowing capital from a financial institution
- c. Capital shared amongst owners
- d. Capital shared with shareholders

31. Under the factoring arrangement, the factor

- a. Produces and distributes the goods or services
- b. Makes the payment on behalf of the clients
- c. Collects the clients debt or account receivables
- d. Transfer the goods from one place to another

32. Internal sources of capital are those that are

- a. Generated through outsiders such as suppliers
- b. Generated through loans from commercial banks
- c. Generated through issue of shares
- d. Generated within the business

- 33.** Financing a long lived assets with short term financing would be
- a. An example of moderate risk moderate profitability assets financing
 - b. An example of low risk low profitability assets financing
 - c. An example of high risk high profitability assets financing
 - d. An example of the hedging approach for financing

- 34.** Net working capital refers to
- a. Total assets minus fixed assets
 - b. Current assets minus current liabilities
 - c. Current assets minus inventories
 - d. Current assets

- 35.** Factors that are considered to solve the financial problem of business organizations are
- 1. Cost of capital supply
 - 2. Importance and objectives of capital
 - 3. Different types of benefits
- Select the correct answer

Codes

- a. 1 2 b. 1 3 c. 2 3 d. 1 2 3

- 36.** Which of the following is the most appropriate form for financing a new capital investment in plant and equipment?

- a. Trade credit c. account payable
- b. Six months bank notes d. common stock equity

- 37.** Which of the following is the most appropriate non-spontaneous form for financing the excess seasonal current assets needs?

- a. Trade credit c. account payable
- b. Six months bank notes d. common stock equity

- 38.** Under the terms of finance lease

- a. The lessor is responsible for service and maintenance of the asset
- b. It is cancellable
- c. Legal title to the assets with the lessee
- d. The asset is capitalized in the balance sheet of the lessee

- 39.** The following is an example of the core principle information is the basis for decisions.

- a. Wealthy depositors are the banks best customers
- b. Payment made over time generally add upto more than the original loan amount
- c. Lenders requires credit scores on individuals who want to take out loans
- d. Car insurance is often required by law

40. A company can improve its debts to total assets ratio by doing which of the following?
- Borrow more
 - Sell common stock
 - Shift short term to long-term debts
 - Shift long term to short term debts
41. Which of the following would be consistent with a more aggressive approach to financing working capital?
- Financing short-term needs with short term funds
 - Financing permanent inventory build up with long-term debt
 - Financing seasonal needs with short term funds
 - Financing cost long term needs with short term funds
42. Which of the following statement is correct?
- For small companies, long term debt is the principle source of external financing
 - Current assets of the manufacturing firm account for over a half of its total assets
 - Strict adherence to the maturity matching approach for financing would call for all current assets to be financed solely with current liabilities
 - Similar to the capital structure management, working capital management requires the financing manager to make a decision and not address the issue again for several months
43. A leased asset should be depreciated over the
- Shorter of the lease term and the assets useful life
 - Longer of the lease term and the assets useful life
 - Entire lease term
 - Useful life of the asset
44. Operating leases are mostly _____ agreements.
- Finance lease
 - Medium term
 - mixed lease
 - accounting lease
45. In a land lease, if title does not pass at the end of a lease to the lessee, it is normally treated as
- Finance lease
 - Operating lease
 - mixed lease
 - accounting lease
46. The payments over the lease term the lessee can or must make, is called
- Principal
 - Interest
 - present value payments
 - minimum lease payments
47. When a lease transfer substantially all the risks and rewards of ownership to lessee, this is called
- A finance least
 - An operating lease
 - a buy-to-let agreement
 - a rental agreement
48. Finance leases are accounted for in a similar manner to
- Credit transactions
 - Cash transactions
 - sale and leaseback agreements
 - loan forgiveness
49. Under the lease agreement, the lease gets the right to

- a. Share profits earned by the lessor
 - b. Participate in the management of the organization
 - c. Use the asset for a specified period
 - d. Sell the assets
- 50.** How should the minimum lease payment (MLP) of a land and building lease get apportioned?
- a. Treat entirely as building
 - b. Treat entirely as land
 - c. Apportion MLP between land and building based on fair value of leasehold interests
 - d. Apportion MLP between land and building based on management judgement
- 51.** One difference between a financial lease and operating lease is that
- a. There is a often a call option in a financing lease
 - b. There is often an option to buy in an operating lease
 - c. An operating lease is often cancellable by the lessee
 - d. A financial lease is often cancellable by th lessee
- 52.** Which type of lease is presumed, when the present value of minimum lease payments is approximately equal to the fair value of the lease assets?
- a. Finance lease
 - b. Operating lease
 - c. mixed lease
 - d. all of the above
- 53.** Which of the following is not a disclosure requirement for finance leases?
- a. Carrying amount of asset
 - b. Market value of asset
 - c. General description of significant arrangements
 - d. Reconciliation between toal minimum lease payments and theor present value
- 54.** A lease is likely to be most beneficial to boh partoes when
- a. The lessors tax rate is lower than the lessees
 - b. The lessors tax rate is higher than the lessees
 - c. The lessors tax rate is equal to the lessees
 - d. A lease can not be beneficial to both parties
- 55.** Which of the following sets out concisely the information about the scheme that a prospective investor ought to know before investing?
- a. Scheme source document
 - b. Scheme information book
 - c. Scheme document
 - d. Scheme information document
- 56.** The principal reason for the existence of leasing is that
- a. Intermediate term loans are difficult to obtain
 - b. This is a type of financing unaffected by changes in tax law
 - c. Companies, financial institutions and individuals derive different benefits from owing assets
 - d. Leasing is a renewable source of intermediate term funds
- 57.** Which of the following is not an indication a lease is a finance lease?
- a. The lease transfers ownership of the asset to the lessee at the end of the lease

- b. The lease term is for a short part of the economic life of the asset
- c. The leased assets are specialized in nature
- d. The present value of minimum lease payment amounts to substantially all of the fair value of the asset

58. Which of the following statements are true?

- 1. Tax shield on depreciation and interest is an important valuable both for lessor and lessee.
- 2. A lessee may evaluate the lease options as against the buying option.
- 3. Sale and lease back and leveraged lease are types of financial lease
- 4. Lease or financing is a type of capital budgeting decision from the point of view of the lessee

Codes

- a. 1 2 4
- b. 2 3 4
- c. 1 3 4
- d. 1 2 3

59. Which risk arises, if a party discharges his obligations but the counterparty defaults?

- a. Replacement cost risk
- b. Principal risk
- c. systematic risk
- d. unsystematic risk

60. Efficient frontier comprises of

- a. Inefficient portfolios
- b. Efficient portfolios
- c. Portfolios that have negatively correlated securities
- d. Portfolios that have positively correlated securities

61. Efficient portfolios can be defined as those portfolios which for a given level of risk provides

- a. Maximum return
- b. Average return
- c. minimum return
- d. none of these

62. Capital market line is

- a. Capital allocation line of a market portfolio
- b. Capital allocation line of a risk free asset
- c. Both a and b
- d. Neither a and b

63. The point of tangency between risk return indifference curves and efficient frontier highlights.

- a. Optimal portfolio
- b. Efficient portfolio
- c. sub-optimal portfolio
- d. none of the above

64. Which of the following are the means of marketing new issues of securities?

- 1. By listing of securities
- 2. Through jobbers and brokers
- 3. By private placing of securities
- 4. Through privileged subscription

Codes

- a. 1 2
- b. 1 2 3
- c. 3 4
- d. 1 2 3 4

65. Riskiness of investing in _____ is more than the riskiness of investing in _____

- a. Debentures, equity shares

- b. Equity shares, debentures
- c. Both a and b
- d. None of the above

66. Which capital investors are long-term investors who are prepared to take the risk that the entrepreneurial project can fail?

- a. Mega
- b. progress
- c. multiple
- d. venture

67. Some equity schemes take opposite positions in different market segments such that a return is earned while remaining risk neutral. They are called

- a. Positional funds
- b. Arbitrage funds
- c. directional funds
- d. speculative funds

68. How many Greeks used for hedging portfolios of options with underlying assets?

- a. Four
- b. five
- c. six
- d. ten

69. Risk of two securities with different expected return can be compared with

- a. Coefficient of variation
- b. Variance of securities
- c. Standard deviation of securities
- d. None of the above

70. Which of the following is the systematic risk?

- a. Market risk
- b. Purchasing power risk
- c. interest rate risk
- d. all of these

71. Securitized assets carry a unique form of risk called

- a. Default risk
- b. Inflation risk
- c. interest rate risk
- d. pre-payment risk

72. Securitization and reconstruction of financial assets and enforcement of securities interest (SARFAESI) act was enacted in which year?

- a. 2000
- b. 2001
- c. 2002
- d. 2003

73. In SARFAESI act E stand for

- a. Equity
- b. Enhancement
- c. empowerment
- d. enforcement

74. SPV stands for

- a. Securities pool vehicle
- b. Special pool vehicle
- c. Securities purpose vehicle
- d. Special purpose vehicle

75. Securitization market in India includes

- a. Mutual funds
- b. Pension fund
- c. public sector units
- d. all of these

76. Since, investors can diversify away their ____ risks, they have to be compensated only for ____ risk.
- Systematic, non-systematic
 - Non-systematic, systematic
 - Both a and b
 - None of the above
77. A portfolio having two risky securities can be turned risk less if
- The correlation ranges between zero and one
 - The securities are completely positively correlated
 - The securities are completely negatively correlated
 - None of the above
78. A portfolio comprises two securities and the expected return on them is 12% and 16% respectively. Determine return of portfolio if first security constitutes 40% of total portfolio.
- a. 12.4% b. 13.4% c. 14.4% d. 15.4%
79. Securitization is a process in which assets are sold to a bankruptcy remote ____ in return for an immediate cash payment.
- special purpose vehicle
 - Asset reconstruction corporation
 - Bank or NBFC
 - Mortgage company
80. In securitization, which of the following is not a benefit to the issuer?
- Off-balance sheet treatment
 - Frees up regulatory capital
 - Higher credit ratings and lower borrowing costs
 - Provides collateral security
 - Transfer of credit risk
- Codes
- a. 1 b. 1 3 4 c. 4 d. 1 2 3 4 5
81. Regarding securitization, which of the following is not correct?
- Derivatives are treated as on balance sheet items
 - Granularity of securitized assets can mitigate the credit risk
 - Credit enhancement means credit quality is increased above from the originators underlying asset pool
 - Securitization makes it possible to transfer risks from an entity that does not want to bear it, to one that does
82. Arrange the following stages of securitization in series.
- To find out a SPV or new SPV is formed.
 - To determine which assets are to be securitized
 - To acquire the receivables under an agreement at their discounted value
 - To collect the fund from investors and issue securities in return
- Codes

- a. 1 2 3 4 b. 2 1 4 3 c. 4 2 3 1 d. 3 2 1 4

Directions (Q 83 to 88) in the questions given below are two statements labelled as statement I and statement II. In the context of the two statements, which one of the following is correct?

Codes

- a. Only statement I is true
b. Only statement II is true
c. Both statement are true
d. Both statements are false

83. Statement I The most common type of spontaneous financing is trade credit.
Statement II Two different firms get the same size short-term loans, for identical purposes and with identical.

84. Statement I An overdraft is where a business is permitted to overspend on its bank account upon an agreed limit
Statement II A debenture is a long term loan.

85. Statement I IAS 17 assumes a lessor will not recover their asset, which is leased under a finance lease.
Statement II Lease payments should be split into an interest component and expense component.

86. Statement I Trustees manage investors money
Statement II Fund managers of close ended schemes are not allowed to churn portfolios as frequently as open ended schemes

87. Statement I Return on any financial asset consists of capital yield and current yield.
Statement II There is no difference between the capital market line and security market line as both the terms are same

88. Statement I securitization is the conversion of existing or future cash in flow into tradable security
Statement II Securitisation shows the true picture of financial position of a firm

Direction (Q 89 -93) In the questions given below are two statements labeled as Assertion and Reason. In the context of two statements, which one of the following is correct?

Codes

- a. Both A and R are true and R is the correct explanation of A.
b. Both A and R are true but R is not the correct explanation of A.
c. A is true but R is false.
d. A is false but R is true

89. Assertion A Sale and lease back technique is a type of lease agreement.
Reason R It enables the lessee to improve their liquidity.

90. Assertion A ADR is not a US dollar denominated form of equity ownership in a non US company.
Reason R An ADR is a physical certificate evidencing ownership of American Depository Shares.

91. Assertion A External sources of funds include debentures.
Reason R Debentures are basically borrowed funds from public.

92. Assertion A Lease is a contract between the lessor and the lessee for the right to use the asset during a specified period in return for a mutually agreed periodic payment.

Reason R The lessee does not have to pay the cost of asset at the time of signing the contract of lease.

93. Assertion Variance or standard deviation is a measure of dispersion of distribution.

Reason Avarage return can be measured by concept of variance or standard deviation.

94. Match the following

List-I	List-II
a. Long term	1. Factoring
b. Medium term	2. Debentures
c. Short term	3. Lease financing

Codes

	A	B	C
a.	3	1	2
b.	1	2	3
c.	2	3	1
d.	1	3	2

95. Match the following

List-I	List-II
a. Equity shares	1. Deposits, raised by business directly from public.
b. Inter-corporate deposits	2. Deposit made by one company with another for a period upon six months
c. Trade credit	3. Permanent source of capital for a company
d. Public deposit	4. Facilitate the purchase of raw material without immediate payment

Codes

	A	B	C	D
a.	1	2	3	4
b.	3	2	4	1
c.	2	3	1	4
d.	4	3	2	1

96. Match the following

List-I	List-II
a. Commercial bank	1. IFCT
b. International capital market	2. SBI
c. International commercial bank	3. GDR
d. Financial institution	4. Standard chartered bank

Codes

	A	B	C	D
a.	1	3	4	2
b.	2	3	1	4
c.	3	4	1	2
d.	2	3	4	1

97. Match the following

List-I	List-II
a. Market risk	1. It is known as insolvency risk
b. Inflation risk	2. Risk caused due to demand and supply pressure
c. Credit risk	3. Risk due to inability to meet firms financial obligations
d. Financial risk	4. Exchange in real value of return as a result of rise in production cost

Codes

	A	B	C	D
a.	4	3	1	2
b.	1	3	2	4
c.	2	4	1	3
d.	3	2	1	4

ANSWER KEYS

1=D	2=A	3=D	4=D	5=D	6=B	7=A	8=C	9=C	10=A
11=B	12=A	13=D	14=A	15=D	16=D	17=A	18=A	19=D	20=C
21=C	22=C	23=B	24=B	25=D	26=C	27=C	28=C	29=B	30=A
31=C	32=D	33=C	34=B	35=A	36=D	37=B	38=D	39=C	40=B
41=D	42=B	43=A	44=C	45=B	46=D	47=A	48=A	49=C	50=C
51=C	52=A	53=B	54=B	55=D	56=C	57=B	58=D	59=B	60=B
61=A	62=C	63=A	64=D	65=D	66=D	67=B	68=B	69=A	70=D
71=D	72=C	73=D	74=D	75=D	76=B	77=C	78=C	79=A	80=C
81=A	82=B	83=C	84=C	85=A	86=B	87=A	88=A	89=B	90=D
91=A	92=B	93=C	94=C	95=B	96=D	97=C			

PREVIOUS YEAR QUESTIONS

- Risk of a portfolio can be minimized by which one of the following?
 - Combining two securities having perfect positive correlation in their expected returns.
 - Combining two securities having perfect negative correlation in their expected returns
 - Combining two securities having partially positive correlation in their expected returns
 - Combining two securities having partially negative correlation in their expected returns

2. Match the items of list II with the items of list I and select the correct code

List-I	List-II
a. Liquidity risk	1. Risk related to purchasing power of income
b. Business risk	2. Risk related to firms capital structure
c. Financial risk	3. Risk related inability to pay its dues on time
d. Inflation risk	4. Risk related to fluctuation in profits

Codes

	A	B	C	D
a.	2	3	4	1
b.	1	4	3	2
c.	3	2	4	1
d.	3	4	2	1

3. Which of the following are the examples if systematic risk. Indicate the correct code

1. Elimination of government subsidy
2. Increase in bank rate
3. Labour problem
4. High levered fund

Codes

- a. 1 2 3 b. 1 2 4 c. 1 2 d. 1 4

ANSWER KEYS

1=B

2=D

3=C

PRACTICE SET'

1. Assertion Management of working capital refers to the management of current assets and current liabilities.

Reason But the major thrust of course is on the management of current assets because current liabilities arise in the context of current assets.

- a. Both A and R are correct
- b. A is correct and R is incorrect.
- c. both A and R is correct.
- d. A is correct but R is incorrect

2. Match list-I and List II and select the correct answer using the codes given below the lists:

List-I	List-II
a. Adam	I. Subsistence smith theory
b. Karl	II. Wage fund mary theory
c. John	III. The surplus Davidson value theory
d. David	IV. Bargaining ricardo theory

Codes

	A	B	C	D
a.	II	III	IV	I
b.	I	II	III	IV
c.	IV	I	II	III
d.	III	IV	I	II

3. Match list-I with list-II and select the correct answer using the codes given below the lists:

List-I	List-II
a. Capital budgeting	I. Time adjusted rate of return
b. Profitable index	II. Irreversible
c. Internal rate of return	III. Benefit/cost
d. Capital investment decisions	IV. Planning capital expenditures

Codes

	A	B	C	D
a.	IV	III	II	I
b.	I	IV	II	III
c.	IV	III	I	II
d.	II	I	III	IV

4. Match list-I with list-II and select the correct answer using the codes given below the lists:

List-I	List-II
a. Factoring services	I. Receivable management
b. Economic order quantity	II. Inventory management
c. Commercial paper	III. Working capital financing

Codes

	A	b	c
A.	I	III	II
B.	III	II	I
C.	II	III	IV
D.	II	I	III

5. Match List-I with list-II and select the correct answer using the codes given below lists:

List-I	List-II
a. Matching approach	I. Dividend policy
b. Structural ratios	II. Inventory management
c. Ordering quality	III. Financing working capital
d. Bonus shares	IV. Capital structure

Codes

	A	b	c	d
A.	I	II	III	IV
B.	III	IV	I	II
C.	III	IV	II	I
D.	II	I	III	IV

6. Match List-I with List-II and select the correct answer using the codes gives below the lists:

List-I	List-II
a. Modigliani miller approach	I. Commercial paper
b. Net operating income approach	II. Working capital
c. Short term money market instrument	III. Capital structure
d. Factoring	IV. arbitrage

Codes:

	A	B	C	D
a.	IV	III	I	II
b.	III	IV	I	II
c.	III	II	I	IV
d.	IV	II	III	I

7. which one of the following is correct
- a ratio is an arithmetical relationship of one number to another number.
 - Liquid ratio is also known as acid test ratio.
 - Role of thumb for current ratio is 2:1
 - Debt equity ratio is the relationship between outsiders fund and shareholders fund.
- Only I ii iii are correct.
 - Only ii iii iv are correct
 - Only ii iii are correct
 - All of the correct

8. Examine the following statements.
- Payback period method measure the true profitability of a period.
 - Capital rationing and capital budgeting mean the same thing.
 - Internal rate of return and time adjusted rate of return are the same thing
 - Rate of return takes into account the time value of money

Codes

- I ii and iii are correct
- Ii and iii are correct
- Only iii is correct
- I ii iii iv are false

9. Read the following statements

- i. Working capital is the amount of funds necessary to cover the cost of operating the enterprise.
- ii. Circulating capital means current assets of a company that are changed in the ordinary course of business from one form to another.

Codes.

- a. I ii are correct
- b. I and ii are false
- c. I is correct ii is false
- d. I is false ii is correct

10. Working capital represent the portion of current assets financed through long term funds. This indicates

- i. Net working capital
- ii. Gross working capital

Codes

- a. I is correct
- b. Ii is correct
- c. I and ii are correct
- d. both are incorrect

11. Which one of the following is correct.

- i. Liquidity ratios measures along term solvency of a concern
- ii. Inventory is a part of liquidity assets
- iii. Rule of thumb for acid test ratio is 2:1
- iv. The amount of gross assets is equal to net capital employed

Codes

- a. I ii and iv
- b. Ii iii iv
- c. I ii iii iv
- d. None of these

12. Read the following statements

- i. The rate of return on investment increase with the shortage of working capital
- ii. Net working capital is the excess of current assets over current liabilities
- iii. Greater the size of the business unit larger will be the requirement of working capital
- iv. Working capital is also known as circulating capital

Which one of the following consists of the correct statements.

- a. I ii iii
- b. ii iii iv
- c. iii iv I
- d. I ii iv

13. Dividend policy of a computer mainly concern with

- i. Dividend payout and for
- ii. Stability of dividend

- a. Only i is correct
- b. Only ii is correct
- c. I and ii are correct
- d. I ii are in incorrect

14. Which of the following steps of purchase decision process is in sequence?

- i. Problem recognition
- ii. Search for alternative
- iii. Evaluation of alternative
- iv. Purchase action

v. Post purchase action
Codes

- a. 1 3 2 4 5 b. 1 2 4 3 5 c. 2 1 3 5 4 d. 1 2 3 4 5

15. Which of the following statement are correct

- i. Inventory includes raw materials, finished goods and work in progress
- ii. Inventory is a part of the working capital
- iii. Inventory includes goods likely to be purchased

Codes

- a. I ii iii b. ii iii c. I iii d. I ii

16. Arrange the following steps involved in capital budgeting in order of their occurrence

- i. Project selection
- ii. Project appraisal
- iii. Project generation
- iv. Follow up
- v. Project execution

Codes

- a. I i iii I v iv
b. I ii ii I v iv
c. I iii ii v iv
d. I ii iii v iv

17. Which of the following term is used to represent the proportionate relationship between debt and equity?

- a. Cost of capital c. asset structure
b. Capital budgeting d. capital structure

18. The basic objective of financial management is

- a. Maximization of profits
- b. Profit planning of the organization
- c. Maximization of shareholders wealth
- d. Ensuring financial disciplined in the organization

19. Which of the following is not include in the assumption on which Myron Goeden proposed a model on stock valuation.

- a. Retained earning the only source of financing
- b. Finite life of the firm
- c. Taxes do not exist
- d. Constant rate of return on forms investment

20. The overall capitalization rate and the cost of debt remain constant for all degrees of financial leverage is advocated by

- a. Traditional approach
- b. Net income approach
- c. Net operating income approach
- d. MM approach

ANSWER KEYS

1=B	2=A	3=B	4=C	5=C	6=B	7=D	8=A	9=B	10=C
11=D	12=B	13=C	14=C	15=D	16=B	17=D	18=C	19=B	20=D

PRACTICE SET

- Which of the following sources of finance has an implicit cost of capital?
 - Equity share capital.
 - Preference share capital
 - Debentures retained earnings
- Which of the following variables is not known in internal rate of return method of capital budgeting?
 - Amount of cash inflows
 - Life of the project
 - Amount of cash outflows
 - Discount rate
- Which one of the following methods of capital budgeting assumes that cash inflows are reinvested at the project rate of return?
 - Net project value
 - Accounting rate of return
 - Internal rate of return
 - Discounted payback period
- Cost of equity share capital is more than cost of debt because
 - Equity shares are not easily seable
 - Equity shares do not provide the fixed dividend rate
 - Generally the face values of equity shares is less than the face value of debentures
 - Equity shares have high risk than debts
- Which of the following is an implicit cost of increasing proportion of debt of a company?
 - PE ratio of the ccompany would increase
 - Rate of return of the company would decrease
 - Tax shield would not be available on new debts
 - Equity shareholders would demand higher return
- Which of the following is not an approach to the capital structure?
 - Gross profit approach
 - Net operating income approach
 - Net income approach
 - Modigliani and miller approach
- Which of the following statement is false?
 - The opportunity cost of an input is considered in capital budgeting
 - Capital budgeting decision are reversible in nature
 - Cash flows and accounting profits are different
 - An expansion decision is a capital budgeting decision

8. Which one of the following is not a method of calculating cost of equity capital?
- Dividend yield method
 - Dividend yield plus growth method
 - Yield to maturity method
 - Earnings yield method
9. Which one of the following equates the present value of cash out flows and the present value of expected cash inflows from a project?
- Net present value
 - Internal rate of return
 - Payback period
 - Accounting rate of return
10. Statement I In payback period method the risk of the project is adjusted by lessening the target payback period.
Statement II Sensitivity analysis helps in calculation of net present value of the proposal.
- Statement I is correct But II is incorrect
 - Statement I is wrong but statement II is correct
 - Both statements are correct
 - Both statements are wrong
11. Which of the following statement is not correct?
- The cost of capital is required rate of return to ascertain the value of the firm
 - Different sources of funds have a specific cost of capital related to that source only
 - Cost of capital does not comprise any risk premium
 - Cost of capital is basic data for NPV technique
12. Which of the following is not true with reference to capital budgeting?
- Capital budgeting is related to asset replacement decisions
 - Cost of capital is equal to minimum required rate of return
 - Timing of cash flows is relevant
 - Existing investment in a project is not treated as sunk cost
13. From the following techniques of capital budgeting decisions, indicate the correct combination of discounting techniques.
- | | |
|------------------------|------------------------------|
| 1. Profitability index | 3. Accounting rate of return |
| 2. Net present value | 4. Internal rate of return |
- Codes
- 1 2 3 b. 2 3 4 c. 1 2 4 d. 1 3 4
14. Which of the following is not a feature of payback period methods?
- It is simply a method of cost recovery and not of profitability
 - It does not consider the time value of money
 - It does not consider the risk associated with the projects
 - It is very difficult to calculate

15. A company has issued 10% perpetual debt of Rs 100000 at 5% premium. If tax rate is 30% then the cost of debt will be

- a. 105 b. 15% c. 6.66% d. 8.21%

16. The term capital structure implies

- Share capital + reserves + long term debts
- Share capital + long and short term debts
- Share capital + long term debts
- Equity and preference share capital

17. From investors point of view, the cost of capital is

- Interest rate
- Market value
- yield of capital sacrifice
- stock exchange value

18. Formula for net cash inflow of a project is

- Sales – operating expenses – indirect tax
- Sales – operating expenses
- Net profit after tax + depreciation
- Gross profit + depreciation

19. In case cost of capital is 10%, EPS Rs 10, IRR 8% and retention ratio is 60%, then the value of equity share as per Gordon Model will be

- a. 100 b. 87 c. 90 d. 77

20. Which of the following techniques for appraisal of investment proposals are based on time value of money?

1. Accounting rate of return
2. Internal rate of return
3. Profitability index method
4. Earnings per share

Codes.

- a. 1 2 **b. 2 3** c. 1 4 d. 1 2 4

21. Which of the following is not true with reference to capital budgeting?

- Capital budgeting is related to asset replacement decision
- Cost of capital is equal to minimum required return
- Existing investment in a project is not treated as sunk cost
- Timing of cash flows is relevant

22. In capital budgeting the term capital rationing implies

- That no retained earnings are available
- That limited funds are available for investment
- That no external funds can be raised
- That no fresh investment s required in current year

23. In certainty equivalent approach, adjusted cash flows are discounted at

- a. Accounting rate of return c. hurdle rate
b. Internal rate of return d. risk free rate

24. Match the following

List-I	List-II
a. Payback rate of return	1. Discounted cash flow technique
b. Internal rate of return	2. Compounded values of investments and returns
c. Benefit cost ratio	3. Crude method for project evaluation
d. Net terminal value method	4. Varying sized projects evaluation

Codes

	A	B	C	D
a.	2	3	1	4
b.	3	1	4	2
c.	1	4	2	3
d.	4	2	3	1

25. Match the following

List-I	List-II
a. Realized yield method	1. Cost of equity share capital
b. Taxation	2. Cost of equity capital
c. Cost of total capital employed	3. Cost of debt capital
d. Dividend growth is a consideration	4. Weighted cost of capital

Codes

	A	B	C	D
a.	4	3	2	1
b.	2	4	1	3
c.	2	3	4	1
d.	1	2	3	4

26. Assertion Arbitrage keeps the cost of capital constant despite change in the capital structure.

Reason It ensures compensating inverse change in cost of equity capital with a change in the cost of debt capital

- A and R are true and R is the correct explanation of A
- A and R are true But R is not the correct explanation of A
- A is true but R is false
- A is not true but R is true

27. Indicate the cost of equity capital based on capital asset pricing model with the following information. Beta coefficient 1.40. Risk free rate of interest 9%. Expected rate of return on equity in the market 16%.

- 98%
- 18%
- 18.8%
- 16%

- 28.** Assertion When two or more investment proposals are mutually exclusive ranking the proposals on the basis of IRR NPV and PI methods may give contradictory results.
Reason The contradictory results in the ranking are due to different dimensions relating to the scale of investments, cash flow patterns and project lives.
- Both A and R are true
 - A is true but R is a necessary condition but not a sufficient condition
 - Both A and R are false
 - Both A and R are true and R is the correct explanation of A
- 29.** Interim cash inflows are reinvested at a rate of return equal to the internal rate of return is the built in mechanism for
- Net present value method
 - Internal rate of return method
 - Profitability index method
 - None of the above
- 30.** Which one of the following is the most popular method for estimating the cost of equity?
- Capital asset pricing model
 - Dividend yield method
 - Gordon's dividend discount model
 - Earnings yield method
- 31.** Which one of the following is not the internal factor affecting the weighted average cost of capital of a firm?
- Investment policy of the firm
 - Capital structure of the firm
 - Dividend policy followed
 - Market risk premium for the firm
- 32.** Assertion The IRR of a project is the discount rate which reduces its NPV to zero.
Reason A project is worth accepting if the IRR exceeds the cost of capital.
- A is true but R is false
 - Both A and R are true
 - A is false but R is true
 - Both A and R are false
- 33.** Positive NPV in project appraised by a firm may not occur on account of
- Economics of scale
 - Market research
 - product differentiation
 - intangible benefits
- 34.** In case the projects are divided under capital rationing an appropriate project appraisal method is
- Net present value method
 - Profitability index method
 - Internal rate of return method
 - Payback period method
- 35.** Which one refers to cash inflow under payback period method?
- Cash flow before depreciation and taxes
 - Cash flow after depreciation and taxes

- c. Cash flow after depreciation and before taxes
d. Cash flow before depreciation and after taxes
- 36.** The concept of present value is based on the
a. Principle of compounding c. both a and b
b. Principle of discounting d. none of these
- 37.** Cost of capital from all the sources of funds is called
a. Specific cost c. implicit cost
b. Composite cost d. simple average cost
- 38.** The conflicts in project ranking in capital budgeting as per NPV and IRR may arise because of
a. Size disparity c. life disparity
b. Time disparity d. all of these

Answer keys

1=D	2=D	3=C	4=D	5=D	6=A	7=B	8=C	9=B	10=A
11=C	12=D	13=A	14=C	15=C	16=A	17=C	18=C	19=D	20=B
21=B	22=D	23=B	24=B	25=C	26=A	27=C	28=B	29=B	30=A
31=D	32=B	33=D	34=B	35=B	36=B	37=A	38=D		

PRACTICE SET'

- 1.** Finance functions are
a. Planning for funds c. allocation of resources
b. Raising of funds d. all of the above
- 2.** Financial management includes
a. Measurement of performance c. financial resources
b. Finance function d. all of the above
- 3.** Financial management is a part of
a. Accounting c. financial accounting
b. Business management d. all of the above
- 4.** Which is the limitation of traditional approach of financial management?
a. More emphasis on long term problems
b. One-sided approach
c. Ignores allocation of resources
d. All of the above
- 5.** Which is the element of finance manager?
a. Investing and financing decisions
b. Financial analysis and performance appraisal
c. All of the above
d. None of the above

6. The finance manager plays an important role in
a. Liquidation decisions c. amalgamation
b. Reconstruction d. all of the above
7. Which is the internal source of finance?
a. Outstanding payment c. depreciation funds
b. Provision for taxation d. all of the above
8. Which is external source of finance?
a. Letters of credit c. advance from customers
b. Finance from companies d. all of the above
9. Which is the function of treasurer?
a. Management of pension
b. Management of credit
c. Both of the above
d. None of the above
10. The financial management is responsible for the
a. Controlling of the organization
b. Organizing training programmes
c. Recording the transaction
d. Finance function of the firm
11. Finance management is the
a. Application of planning and control function to the finance function
b. Application of cost plan in respect of production
c. Application of costing system
d. Art of recording
12. Payback reciprocal method of ranking investment proposals should be used only when
a. Annual savings are even for the entire period
b. The economic life of the project is at least twice of the pay back period
c. A and b are correct
d. None of the above
13. Which is the merits or advantages of net present value method?
a. This method considers the entire economic life of the project
b. It takes into account the objective of maximum profitability
c. This method can be applied where cash inflows are even
d. All of the above
14. Which is the type of leverage?
a. Operating leverage
b. Financial leverage
c. A and b
d. All of the above

15. Which factor determines capital structure?
a. Risk c. trading on equity
b. Cost of capital d. all of the above
16. Which is the determinants of capital structure
a. Government policy c. tax
b. Control d. requirement of investors
17. The proposal is accepted if the profitability index is more than
a. One b. zero c. three d. five
18. The proposal is rejected in case the profitability index is
a. Less than one b. less than zero c. less than 2 d. less than 5
19. Which is a approach of valuation?
a. Asset based approach to valuation
b. Earnings based approach to valuation
c. Market value based approach to valuation
d. All of the above
20. Total assets – total external liabilities equal to
a. Net assets c. net liabilities
b. Net cost d. net depreciation
21. The arrangement of working capital and current assets can be done only by
a. Short term sources c. long term sources
b. Cost of capital d. financial plan
22. Profit maximization includes
a. It is indicator of economic efficiency
b. Maximization of social benefit
c. Measurement of success of business decisions
d. All of the above
23. If the equity shareholder purchases the shares of the company at more than the face value of the share then the _____ is calculated.
a. Dividend yield ratio c. payout ratio
b. Earnings yield ratio d. debt equity ratio
24. The cost of depreciation funds is calculated according to
a. Opportunity cost theory c. accounting theory
b. Flow d. reserve theory
25. If cash inflows are not uniform, the calculation of pay back period takes a
a. Common profit c. cumulative form
b. Favourable position d. all of the above

26. Capital budgeting is
a. Related to long time c. related to short time
b. A profit d. a sales
27. Capital budgeting actually the process of making investment decisions in
a. Sales planning c. fixed assets
b. Production process and style d. current assets
28. Capital budgeting is
a. A long term investment c. a strategic investment decisions
b. A irreversible decisions d. all of the above
29. Which factor determines dividend policy?
a. Debt repayment c. public opinion
b. Stability of income d. all of the above
30. Dividend is income for the
a. Shareholders c. company
b. SEBI d. goods suppliers
31. Dividends are the _____ of a company distributed amongst members in proportion to their shares
a. Divisible profits c. reserve
b. Assets with cash and bank d. undivisible profits
32. A company earns sufficient profit before the close of the financial year and its management declares dividend, this dividend is called
a. Special dividend c. interim dividend
b. Final dividend d. proposed dividend
33. If the annual cash inflows are constant, the pay-back period can be computed by dividing cash outlay by
a. Annual cash inflows c. expenses
b. Annual sales flows d. profit
34. Capital budgeting process involves
a. Evaluation of various proposals
b. Screening the proposals
c. Identification of investment proposals
d. All of the above
35. The present value of all inflows are cumulated in
a. Order of investment c. order of time
b. Order of cash d. order of sales
36. Capital budgeting is
a. Actually the process of making investment decisions in capital expenditure

- b. A profit
c. A sales
d. A cost
- 37.** Capital budgeting is known as
a. Cost of production c. cost of sales
b. Capital expenditure d. profit
- 38.** Capital budgeting as acquiring inputs with long run return. Who said
a. Richard and green c. Charles horngreen
b. J betty d. lyuch
- 39.** Capital budgeting investment decision involve
a. Capital expenditure c. a long term function
b. Long term assets d. all of the above
- 40.** Which is the element of capital budgeting decision?
a. Capital expenditure project
b. A long term investment
c. A long term effect
d. All of the above

Answer keys

1=D	2=D	3=B	4=D	5=C	6=D	7=D	8=D	9=C	10=B
11=A	12=C	13=D	14=C	15=D	16=A	17=A	18=A	19=D	20=A
21=A	22=D	23=B	24=A	25=C	26=A	27=C	28=D	29=D	30=A
31=A	32=C	33=A	34=D	35=C	36=A	37=B	38=A	39=D	40=D

Past Year Papers'

- 1.** Which of the following statements are false?
1. Capital profits can never be distributed as dividends to the shareholders.
2. Dividends are paid out of profits and therefore do not affect the liquidity position of the firm.
3. Every company should follow the policy of low dividend payments
4. Walters model suggests that dividend payment does not affect the market price of the share
Codes
a. 1 2 3 b. 3 4 c. 2 3 4 d. 1 2 3 4
- 2.** Negative net working capital implies that
a. Long term funds have been used for fixed assets
b. Short term funds have been used for fixed assets
c. Long term funds have been used for current assets
d. Short term funds have been used for current assets
- 3.** Profitability index of a project is the ratio of present value of cash inflows to
a. Total cash inflows c. present value of cash outflows
b. Total cash outflows d. initial cost minus depreciation

4. Which one of the following statement is false?
- Effective dividend policy is an important tool to achieve the goal of wealth maximization
 - According to Walter the optimal payout ratio for a growth firm is 100%
 - MM Model asserts that the value of the firm is not affected whether the firm pays dividend or not
 - Bird in the hand theory in reference to dividend decision has been developed by Myron Gordon

5. Match the items of List I with those of List II and indicate the correct code.

List-I	List-II
a. ABC analysis	1.Dividend decision
b. Walter model	2.Capital budgeting decision
c. Capital rationing	3.Capital structure decision
d. Net operating income approach	4.Working capital management decision

Codes

	A	B	C	D
a.	1	3	2	4
b.	2	1	4	2
c.	4	1	2	3
d.	3	1	2	4

6. Match the items of List I with those of List II and indicate the correct code

List-I	List-II
a. Net income approach	1. Working capital management
b. Profitability index	2. Over capitalization
c. Concentration banking	3. Capital structure planning
d. Lower rate of return	4. Capital budgeting decision

Codes

	A	B	C	D
a.	3	4	1	2
b.	3	4	2	1
c.	4	2	3	1
d.	4	3	1	2

7. Dividend irrelevance argument of MM model is based on

- Hedging
- Issue of debentures
- liquidity
- arbitrage

8. Which one of the following combination of rules stands true while preparing schedule of changes in working capital

- An increase in current assets increase working capital
- An increase in current assets decrease working capital

3. An increase in current liabilities decrease working capital
 4. An increase in current liabilities increases working capital
 a. 1 4 b. 1 3 c. 2 3 d. 3 4

9. Assertion The important aspect of dividend policy is to determine the amount of earnings to be distributed to shareholders and the amount to be retained in the firm
 Reason Dividend policy of the firm has its effect on both the long term financing and the wealth of shareholders.

Codes

- a. Both A and R are correct and R is the correct explanation of A
 b. Both A and R are correct but R is not the correct explanation of A
 c. A is correct but R is incorrect
 d. R is correct A is incorrect

10. Insufficient working capital may result into which combination of the following?

1. Failures to adapt to changes
 2. Enhancement in credit worthiness of the firm
 3. Reduced availability of trade and cash discounts
 4. Reduced volume of sales

Codes

- a. 1 2 3 b. 1 3 4 c. 1 2 4 d. 1 2 3 4

11. Which combination of the following represents the assumptions of the Walters dividend model?

1. The company has a very long or perpetual life.
 2. All earnings are either reinvested internally or distributed as dividend
 3. There is no floatation cost for the company
 4. Cost of capital of the company is constant

Codes

- a. 1 2 3 b. 2 3 4 c. 1 2 4 d. 1 3 4

12. Which of the following is not a source of credit information of prospective customers?

- a. Letter of credit c. trade enquiry
 b. Bank reference d. credit bureau

13. The portion of earnings which is distributed among shareholders in the form of dividend is called

- a. Proprietary ratio c. payout ratio
 b. Earnings yield ratio d. retention ratio

14. Select the correct code regarding motives for holding inventories by firms

1. Transaction motive 3. Precautionary motives
 2. Environmental motive 4. Speculative motive
 5. competitive motive

Codes

- a. 1 2 3 4 b. 1 2 4 5 c. 1 4 5 d. 1 3 5

15. Dividend is not relevant in determining the value of the company. Who among the following held this opinion?
a. J E Walter b. Ezra Soloman c. Modigilani miller d. MJ Gordon
16. Concentration banking is a method of
a. Decentralized collection c. direct collection
b. Centralized collection d. payment only through cheques
17. Which one of the following assumptions is not included in the James E Walter valuation model?
a. All financing by retained arnings only
b. No change in the key variables such as EPS and DPS
c. The firm has finite life
d. All earnings are either distributed as dividends or invested internally immediately
18. Statement I Working capital leverage measures the responsiveness of return on equity for changes in current assets.
Statement II When the annual demand for an item is 3200 units, unit cost Rs 6, inventory carrying charges 25% per annum and cost of one procurement Rs 150 the economic ordering quantity would be 700 units.
Codes
a. Both statements are true
b. Both statements are false
c. Statement I is true but statement II is false
d. Statement I is false but statement II is true
19. Cash flow management involves
1. Lock box system
2. Marketable securities
3. Playing the floeat
4. Concentration bank account
Codes
a. 1 2 3 b. 2 3 4 c. 1 3 4 d. 1 2 4
20. Dividend capitalization model was developed by
a. Ezra Solomon c. james E Walter
b. Myron J Gordon d. Merton H Miller and Franco Modigilani
21. Insufficient working capital in any enterprise may also result into
1. Failure to adapt to changes
2. Overcapitalization
3. Reduced availability of trade and cash discounts
4. Reduced volume of production and sales
Codes
a. 1 2 3 b. 1 3 4 c. 2 3 d. 1 4
22. Which one of the following assumptions is not covered in the Walters model of the Dividend policy?
a. All financing is done through retained earnings

- b. Firms business risk does not change due to additional investments
- c. The firm has an infinite life
- d. The key variables like EPS and DPS keep on changing

23. Which one of the following emphasizes the qualitative aspects of working capital management?

- a. Gross working capital
- b. Quick working capital
- c. net working capital
- d. none of these

24. Assertion A company should pay dividend to its shareholders

Reason Dividends are heavily taxed than capital gains.

Codes

- a. Both A and R are true
- b. Both A and R are false
- c. A is false but R is true
- d. A is true but R is false

25. Dividend irrelevance hypothesis implied in the

- a. Traditional model
- b. Walter model
- c. Gordon model
- d. MM Model

26. Permanent working capital is generally financed through

- a. Long term capital funds
- b. Government assistance
- c. Internal financing
- d. Short term loans from banks

27. The appropriate ratio for indicating liquidity crisis is

- a. Operating ratio
- b. Sales turnover ratio
- c. current ratio
- d. acid test ratio

28. Who proposed a model to apply economic order quantity concept of inventory management to determine the optimum cash holding in a firm?

- a. Keith V Smith
- b. Miller and Off
- c. William J Baumol
- d. JM Keynes

29. Match the following

List-I	List-II
a. Modigliani miller approach	1. Commercial papers
b. Net operating income approach	2. Working capital management
c. Short term money market instrument	3. Capital structure
d. Factoring	4. arbitrage

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 4 | 3 | 1 | 2 |
| b. | 3 | 4 | 1 | 2 |

- c. 4 3 1 2
- d. 3 2 4 1

Answer Keys

1=D	2=B	3=C	4=B	5=C	6=A	7=D	8=B	9=A	10=B
11=A	12=A	13=C	14=D	15=C	16=A	17=C	18=B	19=C	20=B
21=B	22=D	23=C	24=A	25=D	26=A	27=D	28=C	29-B	

PRACTICE SETS

- the core of the Brettonwoods system was the
 - world bank
 - IMF
 - united nations
 - interstate commerce commsiion
- For a foreign exchange of specific currency, the non-hedged position is classified as
 - Open position
 - Close position
 - currency long position
 - currency short position
- Majority of retail forex trading happens in
 - Forward market
 - Spot market
 - futures market
 - swap market
- The three different types of forex transactions are
 - Spot, forward, swaps
 - Spot, cash, DTC
 - spot, forward, futures
 - spot, futures, options
- The immediate exchange of one currency for another is a
 - Forward transaction
 - Spot transaction
 - money transaction
 - exchange transaction
- An agreement to exchange of one currency for another in one mnth is a
 - Spot transactions
 - Future trasnactions
 - forward transactions
 - monthly transactions
- For contingency exposures of foreign exchange the best derivative that can be used to hedge is
 - Forwards
 - Options
 - futures
 - swaps
- What are the effects of speculation on exchange rate?
 - It aggravates the market trends
 - It causes violent fluctuations in exchange rate
 - Both a and b
 - Neither a nor b
- Exchange rates are determined in the
 - Money market
 - Foreign exchange market
 - stock market
 - capital market
- The potential effect of exchange rate fluctuations on FDI is expressed as

- a. Translation
b. Transaction
- c. conversion
d. economic
11. When domestic currency appreciates, it benefots _____ and harms _____
a. Domestic exporters, domestic importers
b. Domestic exporters, foreign importers
c. Domestic importer, foreign exporter
d. Domestic importer. Domestic exporter
12. Operational techniques include
a. Diversification of a company operations
b. Purchasing of currency options
c. Exposure netting
d. Both a and c
13. All of the following are types of financial instruments expect
a. Currency forward contracts
b. Swap agreements
c. Currency futures contracts
d. Money market hedge
14. Which of the following is not a type of swap agreement?
a. Currency
b. Credit
c. money market
d. market selction
15. Which of the following is not a means of diversified marketing?
a. Economies of scale
b. Product strategy
c. pricing contracts
d. market selection
16. A survey of chief financial officers found that the most commonly used hedging technique is
a. Swaps
b. Options
c. forward contracts
d. future contracts
17. Hedging transaction is indicated by
a. Transactions in odd amounts
b. Presentation of documentary support
c. Frequency of such transactions
d. None of the above
18. Hegding with options is best recommended for
a. Hedging receivables
b. Hedging contingency exposures
c. Hedging payables
d. Hedging foreign currency loans
19. A firm operating in India cannot hedge its foreign currency exposure through
a. Forwards
b. Options
c. futures
d. none of these

20. Translation exposure arises in respect of items translated at
a. Current rate c. average rate
b. Historical rate d. all of these
21. The following method cannot be used for managing translation exposure
a. Forward contracts c. exposure netting
b. Option contracts d. leading and lagging
22. Economic exposure does not deal with
a. Change in real exchange rates
b. Future cash flow of the firm
c. Expected exchange rate changes
d. None of the above
23. An operation in order to protect the domestic currency value of an asset or a liability that is denominated in foreign currency is called as
a. Hedging c. indexation
b. Hermes d. leading
24. _____ means using short term forward contracts to off set paper gains and losses on the long term assets and liabilities of foreign subsidiaries.
a. Hedging transaction exposure
b. Hedging balance sheet exposure
c. Hedging economic exposure
d. Hedging cost exposure
25. A multinational company that is faced with mild interference upto complete confiscation of all assets is encountering
a. Translation risk exposure c. political risk exposure
b. Transaction risk exposure d. economic risk exposure
26. The true cost of hedging transaction exposure by using forward market is
a. Difference between agreed rate and spot rate at the time of entering into contract
b. Difference between agreed rate and spot rate on the due date of contract
c. Forward premium
d. Discount annualized
27. An _____ hedge protects the company from adverse exchange rate movements but allow the company to benefit from favorable movements
a. Balance sheet c. money market
b. Forward market d. options market
28. Which of the following is not one of the steps for currency exposure management?
a. Forecast the degree of exposure
b. Develop a reposting system to monitor exposure and exchange rate movements
c. Buying additional foreign subsidiaries
d. Assign responsibility for hedging exposure

29. The exchange rate is
- The price of one currency relative to gold
 - The value of a currency relative to inflation
 - The change in the value of money over time
 - The price of one currency relative to another
30. Corporations today are operating in an environment in which exchange rate changes may adversely affect their competitive positions in the market place. This situation in turn market it necessary for many firms to
- Carefully manage their exchange risk exposure
 - Carefully measure their risk exposure
 - Both a and b
 - Neither a nor b
31. In an agreement to exchange one currency for another in three months at a fixed price, the price is the _____
- Spot exchange rate
 - Money exchange rate
 - Forward exchange rate
 - Monthly exchange rate
32. The larger flctuations in portfolio value of foreign exchange of financial institutions leads to
- Greater liquidity of assets
 - Greater volatility of rates
 - Lesser volatility of rates
 - Lesser liquidity of assets
33. In the foreign exchange market, the _____ of one country is traded for the _____ of another country
- Currency, currency
 - Currency, financial instruments
 - Currency, goods
 - Goods, goods
34. What prompted Bretton Woods Agreement?
- To set up a system that would maintain a stable exchange rate system
 - To create a flexible exchange rate system
 - To stop World War II
 - Eradicate the economic difficulties brought in by world war II
35. The international monetary system can be defined as the institutional framework within which
- International payments are made
 - Movement of capital is accommodated
 - Exchange rates among currancies are determined
 - All of the above

36. The international monetary system went through several distinct stages of evolution. These stages are summarized, in alphabetic order as follows

1. Bimetallism
2. Brettonwoods system
3. Classical gold standard
4. Flexible exchange rate regime
5. Interwar period

The chronological order that they actually occurred is

- a. 3 1 4 2 5 b. 1 3 5 2 4 c. 4 1 3 2 5 d. 5 2 1 3 4

37. Under the Brettonwoods system

- a. There was an explicit set of rules about the conduct of international monetary policies
- b. Each country was responsible for maintaining its exchange rate within 1% of the adopted per value by buying or selling foreign exchange as necessary.
- c. The US dollar was the only currency that was fully convertible to gold
- d. All of the above

38. Special drawing right are

- a. An artificial international reserve allotted to the members of the IMF, who can then use it for transactions among themselves or with the IMF.
- b. A portfolio of currencies and its value tends to be more stable than the currencies that it is comprised of
- c. Used in addition to gold and foreign exchanges to make international payments
- d. All of the above

39. Under a flexible exchange rate regime, governments can retain monetary policy independence because the external balance will be achieved by

- a. The exchange rate adjustments
- b. The price specie flow mechanism
- c. The triffin paradox
- d. None of the above

40. Which of the following refers to the institutional arrangements countries adopt to govern exchange rates?

- a. International monetary fund
- b. International monetary system
- c. Global agreements on exchange rates
- d. Brettonwoods arrangement

41. Arbitrageurs in foreign exchange markets

- a. Attempt to make profits by outguessing the market
- b. Make their profits through the spread between bid and offer rates of exchange
- c. Take advantage of the small inconsistencies that develop between markets
- d. Need foreign exchange in order to buy foreign goods

42. It is very difficult to interpret news in foreign exchange markets because

- a. Very little information is publicly available
- b. It is difficult to know which news is relevant to future exchange rates
- c. It is difficult to know whether the news has been obtained legally

d. All of the above

43. The foreign exchange market is referred to as a market where one country's currency is exchanged for another currency. The currency exchange is usually made through the following methods

- a. Buyers and sellers of foreign exchange meet at a physical location
- b. Buyers and sellers of foreign exchange meet through a telephone network
- c. Buyers and sellers of foreign exchange meet through computer communication
- d. Both b and c

44. The starting point for understanding how exchange rates are determined is a simple idea called _____ which states if two countries produce an identical good, the price of the good should be the same throughout the world no matter which country produces it

- a. Greshams law
- b. The law of one price
- c. purchasing power parity
- d. arbitrage

45. In the foreign exchange market, factors that shift the expected return schedule for foreign deposits include

- 1. A change in the foreign interest rate
- 2. A change in the expected future exchange rate
- 3. A change in the current exchange rate

Select the correct answer by using the codes given below

- a. 1 2
- b. 2 3
- c. 1 3
- d. 1 2 3

46. There are important differences between translation, transaction and economic exposure. Which of the following statements regarding these differences is true?

- a. Translation and economic exposure look to the future impact of an exchange rate change which has occurred or may occur
- b. Translation and transaction exposure involve actual or potential cash flow changes
- c. Economic exposure is essentially objective because it depends on outstanding obligations which existed before changes in exchange rates
- d. Economic exposure is essentially subjective because it depends on estimated future cash flows for an arbitrage

47. Which of the following are rules to use when choosing between forward contracts and currency options?

- a. When the quantity of a foreign currency cash outflow is known buy the currency forward
- b. When the quantity of a foreign currency cash outflow is unknown buy the currency forward
- c. When the quantity of a foreign currency cash flow is partially known and partially uncertain, use a forward contract to hedge the known and unknown portions
- d. When the quantity of a foreign currency cash inflow is known, buy the currency forward

48. When assessing economic exposure, financial managers should consider how variations in exchange rates influence _____

- a. A company's sales prospects in foreign markets
- b. The product market the factor market and the capital market
- c. The home currency value of financial assets and liabilities denominated in foreign
- d. The costs of labor and other inputs to be used in overseas production

49. Which of the following financial asset is traded in international financial market?
- Bonds
 - Stocks
 - derivatives
 - all of the above

50. The segments of international financial market include
- Foreign exchange market
 - International arbitrage market
 - International money market
 - International bond market

Select the correct answer

Codes

- a. 1 4 b. 1 3 4 c. 2 3 4 d. 1 2 3 4

51. Global depository receipts are issued by successful corporations with a view to attracting
- Overseas loan funds
 - Remittances from NRIs
 - foreign equity capital
 - foreign direct investments

52. The single European currency, the euro was adopted by 11 nations on 1st January ____
- 1984
 - 1991
 - 1999
 - 2001

53. Monetary policy for the countries using the euro as a currency is now conducted by
- The federal reserve
 - The bundes bank
 - European central bank
 - RBI

54. The euro zone is remarkably comparable to the United States in terms of
- Population size
 - GDP
 - international trade share
 - all of the above

55. Which country is not using the euro?
- Greece
 - Italy
 - Sweden
 - Portugal

56. An example of Euro currency is
- A dollar deposit outside the US
 - A pound sterling deposit within UK
 - A mark deposit with Germany
 - All of the above

57. In which of the following stock exchanges, the GDRs are listed?
- London stock exchange
 - New York stock exchange
 - Luxembourg stock exchange
 - Bombay stock exchange
 - Singapore stock exchange
 - Hong kong stock exchange
 - Karachi stock exchange
 - Pakistan stock exchange

Select the correct answer using the codes given below

- a. 1 2 3 b. 1 4 6 c. 3 5 6 d. 1 3 5 6 e. 6 7 8

58. Once the change over to the euro was completed by 1st July 2002, the legal tender status of national currencies in the euro zone

- a. Was cancelled leaving the euro as the sole legal tender in the euro zone countries
- b. Was affirmed at the fixed exchange rate
- c. Was tied to gold
- d. None of the above

59. Benefits from adopting a common European currency include

- 1. Reduced transaction costs
- 2. Elimination of exchange rate risk
- 3. Increased price transparency that will promote Europe wide competition

Select the correct answer

- a. 2 b. 1 3 c. 2 3 d. 1 2 3

60. The issues in international capital budgeting include

- 1. Exchange rate risk
- 2. Political risk
- 3. Geographical risk
- 4. Parent vs project cash flow

Codes

- a. 1 2 b. 2 4 c. 1 2 4 d. 1 2 3

61. In multinational capital budgeting the value of project is determined by

- a. Discounted cash flow
- b. Net present value of future cash flow
- c. Net present value of present cash outflow
- d. Risk factor cash flow

62. Which technique is common used to estimate the cash flow in multinational capital budgeting?

- a. Net present value method
- b. Internal rate of return method
- c. Exchange rate value method
- d. Discounted future value method

Directions (Q 63 – 65) the following questions consists of two statements. Statement I and statement II. You have to examine these two statements carefully and select the correct answer to these by using the codes given below:

Codes:

- a. Both statements are true
- b. Both statements are false
- c. Only statement I is true
- d. Only statement II is false

63. Statement I A forward contract is an agreement between two entities to buy or sell the underlying asset, at a future date, at today's pre-agreed price.

Statement II Options trading is commodity take place in Indian commodity xchanges

64. Statement I Forward contracts are bilateral contracts and hence exposed to counter party risk.

Statement II A company that wants to sell an asset at particular time in the future can hedge by taking short futures position.

65. Statement I International financial market includes the market for forward, options and swaps

Statement II ADRS stand for Australian depository receipts

66. Match the following

List-I	List-II
a. Certificate of deposits	1. 91 days, 162 days and 364 days
b. Debentures	2. 3 to 5 months
c. Treasury bills	3. 1 to 270 days
d. Commercial papers	4. Longer periods that is n years

Codes

	A	B	C	D
a.	2	4	3	1
b.	2	4	1	3
c.	4	3	1	2
d.	3	4	2	1

ANSWER KEYS

1=A	2=A	3=B	4=A	5=B	6=C	7=C	8=C	9=B	10=D
11=D	12=D	13=D	14=C	15=D	16=C	17=D	18=C	19=B	20=A
21=B	22=C	23=A	24=B	25=C	26=B	27=D	28=C	29=D	30=C
31=C	32=B	33=A	34=A	35=D	36=B	37=D	38=D	39=A	40=B
41=C	42=B	43=D	44=B	45=A	46=D	47=A	48=A	49=D	50=D
51=A	52=C	53=C	54=A	55=C	56=A	57=D	58=A	59=D	60=C
61=B	62=A	63=C	64=A	65=A	66=B				

PRACTICE SET'

1. The financial analysis says, working capital means the same things as

- Current assets – current liabilities
- Fixed assets
- Total assets
- Current assets

2. Which is not the long term source of working capital

- Retained earnings
- Long term debts
- issue of shares
- provision for taxation

3. Total of all current assets is called
a. Gross working capital c. fixed working capital
b. Net working capital d. none of these
4. Net working capital is the excess of current assets over
a. Total liabilities c. intangible liabilities
b. Current liabilities d. none of these
5. The working capital ratio is
a. Working capital + sales
b. Working capital + total assets
c. Current assets + sales
d. Current assets + current liabilities
6. Which of the following are the sources of short term finance
a. Trade credit c. short term borrowings
b. Bank credit d. all of these
7. Which of the following are not current assets
a. Land and building c. debtors
b. B/R d. all of these
8. When supplier extend credit to the buyer it is called
a. Trade credit c. both a and b
b. Instalment credit d. none of these
9. Investment in machines require
a. Short term finance c. both a and b
b. Long term finance d. none of these
10. Long term loans from the public is called
a. Debentures c. shares
b. Retained earnings d. public deposits
11. Working capital is also called
a. Revolving capital c. both a and b
b. Circulating capital d. none of these
12. A business concern should not have
a. Inadequate working capital c. both a and b
b. Excess working capital d. none of the above
13. Three forms of trade credit include
a. Purchase on open account
b. Purchasing on furnishing a promote for specified period
c. Purchase on trade acceptance
d. All of the above

14. Hardcore working capital is also called
 a. Variable working capital c. gross working capital
 b. Permanent working capital d. net working capital
15. Every business undertaking requires funds for
 a. Investment in fixed assets
 b. Investment in current assets
 c. Both a and b
 d. None of the above
16. Advantages of adequate working capital funds include
 a. Cash discount c. high morale
 b. Liquidity and solvency d. all of these
17. Net working capital = _____ - current liabilities
 a. Current assets c. stock
 b. Fixed assets d. bill receivables
18. The amount of current assets required to meet a firm's long term minimum need is referred to as _____ working capital
 a. Permanent c. temporary
 b. Net d. gross
19. Which of the following would not be financed from working capital?
 a. Cash float c. credit sales
 b. A new personal computer for the office d. account receivable
20. Which of the following statements are incorrect?
 a. Retained earnings as a source of financing is most useful for a new company
 b. The terms permanent working capital and core current assets have synonymous meanings
 c. Both a and b
 d. None of the above

Answer keys

1=A	2=D	3=A	4=B	5=D	6=C	7=A	8=A	9=B	10=A
11=C	12=C	13=D	14=B	15=C	16=D	17=A	18=A	19=B	20=A

UNIT-6

BUSINESS STATISTICS

1. The word 'statistics' is used as _____.

- a. Singular.
- b. Plural.
- c. Singular and Plural.
- d. None of above.

Answer: C

2. Who stated that statistics is a branch of applied mathematics which specializes in data?

- a. Horace Secrist.
- b. R.A Fisher.
- c. Ya-Lun-Chou.
- d. L.R. Connor.

Answer: B

3. Out of various definitions, given by the following workers, which definition is considered to be more exact?

- a. R .A. Fisher.
- b. A.L. Bowley.
- c. M.G. Kendall.
- d. Cecil H. Meyers.

Answer: A

8. Statistics can be considered as _____.

- a. An art.
- b. A science.
- c. Neither an art not science.
- d. Both art and science.

Answer: D

9. Sources of secondary data are_____.

- a. Published sources.
- b. Unpublished sources.
- c. Neither published nor unpublished sources.
- d. Both published and unpublished sources.

Answer: D

10. Whether classification is done first or tabulation?

- a. Classification follows tabulation.
- b. Classification precedes tabulation.
- c. Both are done simultaneously.
- d. No criterion.

Answer: B

11. A series showing the sets of all distinct values individually with their frequencies is known as_____.

- a. Grouped frequency distribution.
- b. Simple frequency distribution.
- c. Cumulative frequency distribution.
- d. None of the above.

Answer: B

12. A series showing the sets of all values in classes with their corresponding frequencies is known as_____.

- a. Grouped frequency distribution.
- b. Simple frequency distribution.
- c. Cumulative frequency distribution.
- d. None of the above.

Answer: A

13. In a grouped data, the number of classes preferred are_____.

- a. Minimum possible.
- b. Adequate.
- c. Maximum possible.
- d. Any arbitrarily chosen number.

Answer: B

14. Class interval is measured as_____.

- a. The sum of the upper and lower limit.
- b. Half the sum of upper and lower limit.
- c. Half the difference between upper and lower limit.
- d. The difference between upper and lower limit.

Answer: D

15. A grouped frequency distribution with uncertain first or last classes is known as_____.

- a. Exclusive class distribution.
- b. Inclusive class distribution.
- c. Open end distribution.
- d. Discrete frequency distribution.

Answer: C

16. Frequency of a variable is always_____.

- a. In percentage.
- b. A fraction.
- c. An integer.
- d. None of the above.

Answer: C

17. The data given as 5, 7, 12, 17, 79, 84, 91 will be called as_____.

- a. A continuous series.
- b. A discrete series.
- c. An individual series.
- d. Time series.

Answer: C

18. In an ordered series, the data are_____.

- a. In ascending order.
- b. In descending order.
- c. Either (1) or (2).
- d. Neither (1) or (2).

Answer: C

19. Trilinear chart is used to portray simultaneously_____.

- a. Two variables.
- b. Three variables.
- c. Four variables.
- d. Any number of variables.

Answer: B

20. Which of the following statements is not correct?

- a. The bars in a histogram touch each other.
- b. The bar in a column chart touches each other.
- c. There are bar diagrams which are known as broken bar diagrams.
- d. Multiple bar diagrams also exist.

Answer: B

21. Shoe size of most of the people in India is No. 8. Which measure of central value does it represent?

- a. Mean.
- b. Second quartile.
- c. Eighth deciles.
- d. Mode.

Answer: D

22. In case of frequency distribution with classes of unequal widths, the heights of bars of a histogram are proportional to_____.

- a. Class frequency.
- b. Class intervals.
- c. Frequencies in percentage.
- d. Frequency densities.

Answer: D

23. Year wise production of rice, wheat and maize for the last ten years can be displayed by_____.

- a. Simple column chart.
- b. Subdivided column chart.
- c. Broken bar diagram.
- d. Multiple column chart.

Answer: D

24. When we have the number of court cases of different categories and information about number of cases settled, the information can be better portrayed through_____.

- a. Sliding bar diagram.
- b. Histogram.
- c. Paired bar diagram.
- d. Column chart.

Answer: A

25. Pictograms are_____.

- a. Very accurate.
- b. Least accurate.
- c. Mostly used.
- d. Scientifically correct.

Answer: B

26. When there are a large number of values in an individual series, preference for portraying the data goes to_____.

- a. Bar diagram.
- b. Column chart.
- c. Line chart.
- d. Scatter diagram.

Answer: C

27. Pie chart represents the components of a factor by_____.

- a. Percentages.
- b. Angels.
- c. Sectors.
- d. Circles.

Answer: C

28. The immigration and out migration of people in a number of countries and also the net migration can be better displayed by_____.

- a. Duo-directional column chart.
- b. Gross-deviation column chart.
- c. Net deviation column chart.
- d. Range chart.

Answer: B

29. The shape of pie diagram is_____.

- a. Square.
- b. Conical.
- c. Rectangle.
- d. Circular.

Answer: D

30. Histograms are_____.

- a. One dimensional diagrams.
- b. Two dimensional diagrams.
- c. Three dimensional diagrams.
- d. None of the above.

Answer: A

31. The other name of the cumulative frequency curve is _____.

- a. Histogram.
- b. Ogive.
- c. Pie chart.
- d. Bar diagram.

Answer: B

32. If a constant 5 is added to each observation of a set, the mean is_____.

- a. Increased by 5.
- b. Decreased by 5.
- c. 5 times the original mean.
- d. Not affected.

Answer: A

33. If each observation of a set is multiplied by 10, the mean of the new set of observations_____.

- a. Remains the same.
- b. Is 10 times the original mean.
- c. Is one-tenth the original mean.
- d. Is increased by 10.

Answer: B

34. If each value of a series is multiplied by 10, the median of the coded values is_____.

- a. Not affected.
- b. 10 times the original median value.

- c. One-tenth of the original median value. d. Increased by 10.

Answer: B

35. Individual data is another wise called as _____.

- a. Raw data. b. Discrete data.
c. Continuous data. d. Primary data.

Answer: A

36. Extreme value have no effect on_____.

- a. Average. b. Median.
c. Geometric mean. d. Harmonic mean.

Answer: B

37. What percentage of values is greater the 3rd quartile?

- a. 75%. b. 50%.
c. 25%. d. 0%.

Answer: C

38. The median of the variant values 11, 7, 6, 9, 12, 15, 19 is_____.

- a. 9. b. 12. c. 15. d. 11.

Answer: D

39. The number of partition values in case of quartiles is_____.

- a. 4. b. 3. c. 2. d. 1.

Answer: B

40. Which of the following is a unit less measure of dispersion?

- a. Standard deviation. b. Mean deviation.
c. Coefficient of variation. d. Range.

Answer: C

41. Which one of the given measures of dispersion is considered best?

- a. Standard deviation. b. Range.
c. Variance. d. Coefficient of variation.

Answer: A

42. Out of all measures of dispersion, the easiest one to calculate is_____.

- a. Standard deviation. b. Range.
c. Variance. d. Quartile deviation.

Answer: B

43. Mean deviation is Minimum when deviations are taken from_____.

- a. Mean. b. Median. c. Mode. d. Zero.

Answer: B

44. Which measure of dispersion ensures highest degree of reliability?

- a. Range. b. Mean deviation.
c. Quartile deviation. d. Standard deviation.

Answer: D

45. Which measure of dispersion is least affected by extreme values?

- a. Range. b. Mean deviation.
c. Standard deviation. d. Quartile deviation.

Answer: D

46. The average of the sum of squares of the deviations about mean is called_____.

- a. Variance.
- b. Absolute deviation.
- c. Standard deviation.
- d. Mean deviation.

Answer: A

47. For a negatively skewed distribution, the correct inequality is_____.

- a. Mode<median.
- b. Mean<median.
- c. Mean<mode.
- d. None of the above.

Answer: C

48. Mean is a measure of_____.

- a. Location.
- b. Dispersion.
- c. Correlation.
- d. Regression.

Answer: A

49. Which of the following is a measure of central value?

- a. Median.
- b. Standard deviation.
- c. Mean deviation.
- d. Quartile deviation.

Answer: A

50. Geometric mean is better than other means_____.

- a. When the data are positive as well as negative.
- b. When the data are in ratios or percentages.
- c. When the data are binary.
- d. When the data are on interval scale.

Answer: B

51. The correct relationship between A.M, G.M and H.M is_____.

- a. $A.M = G.M = H.M$.
- b. $G.M \geq A.M \geq H.M$.
- c. $H.M \geq G.M \geq A.M$.
- d. $A.M \geq G.M \geq H.M$.

Answer: D

52. Which mean is most affected by extreme values?

- a. Geometric mean.
- b. Harmonic mean.
- c. Arithmetic mean.
- d. Trimmed mean.

Answer: C

53. Graphically partition be determined with the help of_____.

- a. Frequency polygon.
- b. Bar diagram.
- c. Line diagram.
- d. Ogive curve.

Answer: D

55. The measure of dispersion which ignores signs of the deviations from central value is_____.

- a. Range.
- b. Quartile deviation.
- c. Standard deviation.
- d. Mean deviation.

Answer: D

56. In a case of positive skewed distribution the relation between mean, median and mode that hold is_____.

- a. Median > mean > mode.
- b. Mean > median > mode.
- c. Mean = median = mode.
- d. Mean < median < mode.

Answer: B

57. It is one of the measures of central tendency_____.

- a. Mean deviation.
- b. Standard deviation.

c. Median. d. Correlation.

Answer: C

58. The value in a series occurs most frequently is called _____.

- a. Mean. b. Median.
c. Mode. d. Harmonic mean.

Answer: C

59. Which one of the following is not a measure of dispersion ?

- a. Range. b. Standard deviation.
c. Mean deviation. d. Geometric mean.

Answer: D

60. Range of 8, 12, 5, 15 is _____.

- a. 2. b. 5. c. 10. d. 15.

Answer: C

61. Index numbers are also known as _____.

- a. Economic barometers. b. Signs and guide posts.
c. Both (a) and (b). d. Neither (a) nor (b).

Answer: C

62. Index number is a _____.

- a. Measure of relative changes. b. A special type of an average.
c. A percentage relative. d. All the above.

Answer: D

63. Most commonly used index number is _____.

- a. Diffusion index number. b. Price index number.
c. Value index number. d. None of the above.

Answer: D

64. Base period for an index number should be _____.

- a. A year only. b. A normal period.
c. A period of distant past. d. None of the above.

Answer: B

65. Laspeyre's index numbers possess _____.

- a. Downward bias. b. No bias.
c. Upward bias. d. None of the above.

Answer: C

66. The difference between the index numbers based on n selected items and total number of items is called _____.

- a. Formula error. b. Sampling error.
c. Homogeneity error. d. None of the above.

Answer: B

67. Sampling error in respect of index numbers can be reduced by _____.

- a. Taking a random sample of items. b. Including large number of items.
c. Both (a) and (b). d. Neither (a) nor (b).

Answer: C

68. The range of homogeneity error in reference to index numbers is _____.

- a. 0 to 1. b. 0 to ∞ . c. -1 to 1. d. $-\infty$ to ∞ .

Answer: A

69. Combining of two index number series having different base periods into one series with common base period is known as _____.

- a. Splicing.
- b. Base shifting.
- c. Both (1) and (2).
- d. Neither (1) nor (2).

Answer: A

70. An appropriate method for working out consumer price index is _____.

- a. Weighted aggregate expenditure method.
- b. Family budget method.
- c. Price relative's method.
- d. None of the above.

Answer: B

71. Index of industrial production measures the changes in _____.

- a. The quantum production.
- b. The value of products.
- c. The demand of industrial goods.
- d. None of the above.

Answer: A

72. Consumers price index number is constructed for _____.

- a. A well defined section of people.
- b. All people.
- c. Factory workers only.
- d. In a group of peoples.

Answer: A

73. Laspeyre's index formula uses the weights of the _____.

- a. Base year.
- b. Current year.
- c. Average of the weights of a number of years.
- d. To any arbitrary chosen year.

Answer: A

74. The weights used in Pasches formula belong to _____.

- a. The base period.
- b. The given period.
- c. To any arbitrary chosen period.
- d. Average of the weights of a number of periods.

Answer: B

75. Fishers ideal formula does not satisfy _____.

- a. Time reversal test.
- b. Circular test.
- c. Factor reversal test.
- d. Unit test.

Answer: B

76. Factor reversal test permits the interchange of _____.

- a. Base periods.
- b. Price and quantity.
- c. Weights.
- d. None of the above.

Answer: C

77. The best average to calculate index numbers is _____.

- a. A.M.
- b. G.M.
- c. H.M.
- d. None.

Answer: B

78. If a frequency distribution is positively skewed, the mean of the distribution is _____.

- a. Greater than the mode.
- b. Less than the mode.
- c. Equal to mode.
- d. Less than the mean.

Answer: A

79. When the coefficient of skewness is zero, the frequency curve is _____.

- a. U shaped.
- b. J shaped.
- c. Bell shaped.
- d. None of the above.

Answer: C

80. In Paache's Index Number priority is given to the price of_____.

- a. Current year.
- b. Base year.
- c. Future year.
- d. None of the above.

Answer: D

81. If X and Y are two variants, there can be at most_____.

- a. One regression line.
- b. Two regression lines.
- c. Three regression lines.
- d. An infinite number of regression lines.

Answer: B

82. Scatter diagram of the variant values (X,Y) give the idea about_____.

- a. Functional relationship.
- b. Regression model.
- c. Distribution of errors.
- d. None of the above.

Answer: C

83. If β_{yx} and β_{xy} are two regression coefficients, they have_____.

- a. A same sign.
- b. Opposite sign.
- c. Either same or opposite signs.
- d. Nothing can be said.

Answer: A

84. The property if X and Y are independent, then $\beta_{yx} = \beta_{xy} = 0$ is called_____.

- a. Fundamental property.
- b. Mean property.
- c. Independence property.
- d. Magnitude property.

Answer: C

85. The coordinates (X, Y) satisfy the lines of regression of_____.

- a. Y on X.
- b. X on Y.
- c. Both the regression lines.
- d. None of the two regression lines.

Answer: C

86. If $\rho=0$, the angle between the two lines of regression is_____.

- a. Zero degree.
- b. Ninety degree.
- c. Sixty degree.
- d. Thirty degree.

Answer: B

87. The idea of product movement correlation was given by_____.

- a. R.A. Fisher.
- b. Sir Frances Galetton.
- c. Karl Pearson.
- d. Spearman.

Answer: C

88. If ρ is the simple correlation, the quantity $(1-\rho^2)$ is called _____.

- a. Coefficient of determination.
- b. Coefficient of non determination.
- c. Coefficient of alienation.
- d. None of the above.

Answer: B

89. The value of correlation ratio varies from_____.

- a. -1 to 1.
- b. -1 to 0.
- c. 0 to 1.
- d. 0 to ∞ .

Answer: A

90. If each group consists of one observation only, the value of correlation ratio is_____.

- a. 0.
- b. 1.
- c. Between 0 and 1.
- d. Between -1 and 1.

Answer: B

91. The average of two regression coefficients is always greater than or equal to the correlation coefficient is called_____.

- a. Fundamental property.
- b. Signature property.
- c. Magnitude property.
- d. Mean property.

Answer: D

92. If r is called simple correlation coefficient, the quantity r^2 is known as_____.

- a. Coefficient of determination.
- b. Coefficient of non determination.
- c. Coefficient of alienation.
- d. Coefficient of variation.

Answer: A

93. The range of simple correlation coefficient is_____.

- a. 0 to ∞ .
- b. $-\infty$ to ∞ .
- c. 0 to 1.
- d. -1 to 1.

Answer: D

94. The nature of correlation between two variables is known from _____.

- a. Bar diagram.
- b. Pie diagram.
- c. Pictogram.
- d. Scatter diagram.

Answer: D

95. The co-efficient of correlation is not affected by _____.

- a. Change of origin.
- b. Change of scale.
- c. Both origin and scale.
- d. None.

Answer: C

96. If one of the regression coefficient is negative, the other _____.

- a. Must be positive.
- b. Must be negative.
- c. May be positive or negative.
- d. Non-negative.

Answer: B

97. When $r = 1$ the two regression lines are _____.

- a. Perpendicular to each other.
- b. Parallel to each other.
- c. Coincide.
- d. None.

Answer: C

98. The regression lines $5x+2y=16$, and $9x+10y=48$ intersect at _____.

- a. 0,8.
- b. 2,3.
- c. 3,2.
- d. 8,0.

Answer: B

99. Rank correlation method was developed by _____.

- a. Karl Pearson.
- b. R.A. Fisher.
- c. Spearman.
- d. Croxten and cowden.

Answer: C

100. _____ is the geometric mean of two regression coefficient

- a. Mean.
- b. Correlation.
- c. Rank correlation.
- d. Mode.

Answer: B

101. Regression coefficients are affected by change of _____.

- a. Origin.
- b. Scale.
- c. Both origin and scale.
- d. Neither origin nor scale.

Answer: B

102. Correlation analysis deals with_____.

- a. Two attributes.
- b. Two variables alone.
- c. Variables.
- d. Averages.

Answer: C

103. Correlation between the number of children born and the number of train accident is_____.

- a. Positive correction.
- b. Spurious correlation.
- c. Negative correlation.
- d. Rank correlation.

Answer: B

104. Graphical method under dispersion is _____.

- a. Frequency curve.
- b. Normal curve.
- c. Lorenz curve.
- d. Ogive.

Answer: C

105. The point of intersection of the two Ogives is _____.

- a. Mean.
- b. Median.
- c. Mode.
- d. G.M.

Answer: B

106. The mean of 1,2,3,4,5 is_____.

- a. 1.
- b. 2.
- c. 3.
- d. 4.

Answer: C

107. A measure of ____ gives a single representative value for a set of usually unequal values.

- a. Dispersion.
- b. Central tendency.
- c. Variation.
- d. Relation.

Answer: B

108. In a symmetrical distribution mean median and mode are_____.

- a. Equal.
- b. Unequal.
- c. Zero.
- d. One.

Answer: A

109. The mode of 1,5,6,8,5,9,5,8,5

- a. 1
- b. 8
- c. 5
- d. 6

Answer: C

110. Median usually lies between _____.

- a. Mean and mode.
- b. Mean and G.M.
- c. Mean and H.M.
- d. G.M and H.M.

Answer: A

111. Statistics considers _____.

- a. A single item.
- b. A set of items.
- c. Either a single item or a set of items.
- d. Neither a single item nor a set of items.

Answer: B

112. Number of methods of collection of primary data is _____.

- a. 2.
- b. 3.
- c. 4.
- d. 5.

Answer: D

113. In a bar diagram _____.

- a. Only height is considered.
b. Only width is considered.
c. Both height and width are considered.
d. Height, width and thickness are considered.

Answer: A

114. A time series consist of_____.

- a. Two components.
b. Three components.
c. Four components.
d. Five components.

Answer: C

115. The general decline in sales of cotton clothes is attached to the component of the time series is _____.

- a. Secular trend.
b. Cyclical variation.
c. Seasonal variation.
d. All of the above.

Answer: A

116. Secular trend is indicative of long term variation towards_____.

- a. Increase only.
b. Decrease only.
c. Either increase or decrease.
d. None of the above.

Answer: C

117. Method of least squares to fit in the trend is applicable only if the trend is_____.

- a. Linear.
b. Parabolic.
c. Both (a) and (b).
d. Neither (a) nor (b).

Answer: C

118. Cyclic variations in a time series are caused by_____.

- a. Lockouts in a factory.
b. War in a country.
c. Floods in the states.
d. None of the above.

Answer: D

119. Trend in a time series means_____.

- a. Long term regular movement.
b. Short term regular movement.
c. Both (a) and (b).
d. Neither (a) nor (b).

Answer: A

120. The terms prosperity, recession, depression and recovery are in particular attached to_____.

- a. Secular trend.
b. Seasonal fluctuations.
c. Cyclic movements.
d. Irregular variations.

Answer: C

121. An additive model of time series with the components T, S, C and I is_____.

- a. $Y=T+S+C*I$.
b. $Y=T+S*C*I$.
c. $Y=T+S+C+I$.
d. $Y=T+S*C+I$.

Answer: C

122. Moving average method of ascertaining trend is not suitable for_____.

- a. Finding trend values.
b. Projections.
c. Both (1) and (2).
d. Neither (1) nor (2).

Answer: B

123. Moving average method suffers from_____.

- a. Loss of information.
b. The element of subjectivity.
c. The decision about the number of years in groups.
d. All of the above.

Answer: D

124. Link relatives in a time series remove the influence of_____.

- a. The trend.
- b. Cyclic variation.
- c. Irregular variations.
- d. All the above.

Answer: A

125. First difference method for isolating cycles is applicable if observations pertain to_____.

- a. Early data.
- b. Quarterly data.
- c. Monthly data.
- d. Any data.

Answer: A

126. In percentage ratio method of measuring cyclic variations one finds_____.

- a. Actual changes.
- b. Relative changes.
- c. Percent ratio changes.
- d. All the above.

Answer: C

127. Reference cycle analysis method of measuring cycles is applicable to_____.

- a. Current time series.
- b. Past time series.
- c. Both (1) and (2).
- d. Neither (1) nor (2).

Answer: B

128. To which component of the time series, the term recession is attached?

- a. Trend.
- b. Seasonal.
- c. Cycles.
- d. Random variation.

Answer: C

129. If the slope of the trend line is positive, it shows_____.

- a. Rising trend.
- b. Declining trend.
- c. Stagnation.
- d. All of the above.

Answer: A

130. The sales of a departmental store on Dushera and Diwali are associated With the component of a time series_____.

- a. Secular trend.
- b. Seasonal variation.
- c. Irregular variation.
- d. Cyclical variation.

Answer: B

131. Least square method of fitting a trend is_____.

- a. Most exact.
- b. Least exact.
- c. Full of subjectivity.
- d. Mathematically unsound.

Answer: A

132. If the trend line with 1975 as origin is $Y = 20.6 + 1.68X$, the trend line with 1971 as origin is_____.

- a. $Y = 20.6 + 6.72X$.
- b. $Y = 13.88 + 1.68X$.
- c. $Y = 34.61 + 1.68X$.
- d. $Y = 34.61 - 1.68X$.

Answer: B

133. Seasonal variation occur at an interval of_____.

- a. 7 years.
- b. 5 years.
- c. 1 year.
- d. 2 years.

Answer: C

134. Cyclic fluctuations are caused by_____.

- a. Flood.
- b. War.
- c. Strike.
- d. None.

Answer: D

135. The trend can be found by the method of least squares _____.
a. If the nature of trend is known. b. If the trend is not linear.
c. If the trend is linear. d. If the nature of the trend is unknown.

Answer: C

136. The cause of cyclones and floods in time series is associated with the _____.
a. Irregular variation. b. Cyclical variation.
c. Seasonal variation. d. None of the above.

Answer: A

137. Range for the given values 10, 10, 10, 10, 10, 10, is
a. 0. b. 10. c. 20. d. -10.

Answer: A

138. The line obtained by the method of least squares is known as the line of _____.
a. Best fit. b. Correlation.
c. Regression. d. None.

Answer: A

139. The range of 5, 12, 15, 7, 8 _____.
a. 5 b. 10 c. 15 d. 20

Answer: B

140. Climate and weather conditions cause _____.
a. Cyclic variation. b. Seasonal variation.
c. Secular trend. d. Non-secular trend.

Answer: B

141. Classifying the data on time basis is known as _____.
a. Geographical. b. Chronological.
c. Serial. d. Calendar.

Answer: B

142. Graphs of time series are called _____.
a. Histograms. b. Hitograms.
c. Pie charts. d. Bar diagrams.

Answer: A

143. _____ is not a component of time series.
a. Secular trend. b. Seasonal variation.
c. Coefficient of variation. d. Cyclic variation.

Answer: C

144. The sales of crackers in time series is associated with the _____.
a. Irregular variation. b. Cyclical variation.
c. Seasonal variation. d. None of the above.

Answer: C

145. The data collected by questionnaires are _____.
a. Primary data. b. Secondary data.
c. Published data. d. Grouped data.

Answer: A

146. Which one of the following is not a source of secondary data?

- a. Personal contact.
- b. Records.
- c. Journal.
- d. News paper.

Answer: A

147. Classification is the process of arranging data in_____.

- a. Columns.
- b. Rows.
- c. Columns and rows.
- d. Ascending order.

Answer: C

148. When a population is infinite, the appropriate method is _____.

- a. Census method.
- b. Sample method.
- c. Both the census and sample method.
- d. Neither census nor sample method.

Answer: B

149. The maximum sales of the woollen clothes in time series is attached to the _____.

- a. Seasonal variation.
- b. Cyclic variation.
- c. Irregular variation.
- d. None of the above.

Answer: A

150. Diagrams and graphs are tools of _____.

- a. Collection of data.
- b. Analysis.
- c. Presentation.
- d. Classification.

Answer: C

OTHER IMPORTANT MCQs OF BUSINESS STATISTICS

1. The specific statistical methods that can be used to summarize or to describe a collection of data is called:

- a) Descriptive statistics
- b) Inferential statistics
- c) Analytical statistics
- d) All of the above

2. The need for inferential statistical methods derives from the need for.

- a) Population
- b) Association
- c) Sampling
- d) Probability

3. A population, in statistical terms, is the totality of things under consideration. It is the collection of all values of the that is under study.

- a) Instance
- b) Variable
- c) Amount
- d) Measure

4. Non-sampling errors are introduced due to technically faulty observations or during the of data.

- a) Processing
- b) Analysis
- c) Sequencing
- d) Collection

5. Sampling is simply a process of learning about them on the basis of a sample drawn from it.

- a) Census
- b) Population
- c) Group
- d) Area

6. Numerical facts are usually subjected to statistical analysis with a view to helping a decision- maker make wise decisions in the face of.

- a) Interpreting
- b) Uncertainty
- c) Summarizing
- d) Organizing

7. In statistics, classification includes data according to the time period in which the items under consideration occurred.

- a) Chronological
- b) Alphabetical

- c) Geographical d) Topological
8. Data is simply the numerical results of any scientific .
a) Analysis b) Researches
c) Observation d) Measurement
9. The process would be required to ensure that the data is complete and as required.
a) Tabulation b) Analysis
c) Editing d) Ordering
10. A sample is a portion of the population that is considered for study and analysis.
a) Selected b) Total
c) Fixed d) Random
11. The method of sampling, in which the choice of sample items depends exclusively on the judgement of the investigator is termed as .
a) Convenience sampling b) Quota sampling
c) Systematic sampling d) Judgement sampling
12. Both the sampling as well as the non-sampling errors must be reduced to a minimum in order to get as representative a sample of the as possible.
a) Group b) Region
c) Population d) Universe
13. The larger the size of the population, the should be the sample size.
a) Smaller b) Larger
c) Accurate d) Fixed
14. When the data is to be processed by computers, then it must be coded and converted into the.
a) English language b) Regional language
c) Statistical language d) Computer language
15. A variable is any characteristic which can assume values.
a) Different b) Similar
c) Fixed d) Assumed
16. The basic objective of a sample is to draw about the population from which such sample is drawn.
a) Conclusion b) Characteristics
c) Inferences d) Parameters
17. In type of classification, the data is grouped together according to some distinguished characteristic or attribute, such as religion, sex, age, national origin, and so on.
a) Quantitative b) Chronological
c) Qualitative d) All of the above
18. A variable is a variable whose values can theoretically take on an infinite number of values within a given range of values.
a) Continuous b) Discrete
c) Random d) Both (a) and (b)
19. A perfect random number table would be one in which every digit has been entered
a) Chronologically b) Sequentially
c) Randomly d) Arbitrarily
20. The random variables yield categorical responses so that the responses fit into one category or another.

- a) Quantitative
c) Continuous
- b) Discrete
d) Qualitative
21. For a sample to be truly representative of the population, it must truly be .
a) Fixed
c) Specific
- b) Random
d) Casual
22. A is a phenomenon of interest in which the observed outcomes of an activity are entirely by chance, are absolutely unpredictable and may differ from response to response.
a) Discrete variable
c) Random variable
- b) Continuous variable
d) All of the above
23. By definition of randomness, each has the same chance of being considered.
a) Possible entity
c) Random entity
- b) Probable entity
d) Observed entity
24. Before any procedures for are established, the purpose and the scope of the study must be clearly specified.
a) Data analysis
c) Data collection
- b) Data tabulation
d) Data selection
25. Adequacy of data is to be judged in the light of the requirements of the survey and the geographical areas covered by the data.
a) Collected
c) Organized
- b) Available
d) Tabulated
26. If the sample is truly representative of the population, then the characteristics of the sample can be considered to be the same as those of the _ population.
a) Fixed
c) Random
- b) Selected
d) Entire
27. Statistical inference deals with methods of inferring or drawing about the characteristics of the population based upon the results of the sample taken from the same population.
a) Details
c) Conclusions
- b) Decisions
d) Samples
28. If the sample size is too small, it may not represent the population or the universe as it is known, thus leading to incorrect inferences.
a) Appropriately
c) Homogeneously
- b) Reliably
d) Heterogeneously
29. Editing would also help eliminate inconsistencies or obvious errors due to treatment.
a) Characteristic
c) Calculation
- b) Arithmetical
d) Tabulation
30. When an investigator uses the data which has already been collected by others, such data is called.
a) Primary data
c) Processed data
- b) Collected data
d) Secondary data
31. In the case of the questionnaire method of gathering data, it should be made certain that all the questions have been .
a) Read
c) Answered
- b) Interpreted
d) All of the above
32. provides various types of statistical information of either qualitative or quantitative nature.

- a) Sampling
c) Observation
- b) Tabulation
d) Editing
33. In statistics, classification groups the data according to locational differences among the items.
a) Chronological
c) Regional
- b) Geographical
d) Alphabetical
34. The degree of randomness of selection would depend upon the process of selecting the items from the .
a) Population
c) Sample
- b) Region
d) Data
35. A sample is obtained by selecting convenient population units
a) Random
c) Stratified
- b) Quota
d) Convenience
36. A sample is formed by selecting one unit at random and then selecting additional units at evenly spaced intervals until the sample has been formed.
a) Stratified
c) Judgement
- b) Systematic
d) Random
37. The sampling errors arise due to drawing faulty inferences about the based upon the results of the samples.
a) Sample
c) Population
- b) Survey
d) Census
38. A summary measure that describes any given characteristic of the population is known as a
a) Parameter
c) Inference
- b) Information
d) Statistics
39. means separating items according to similar characteristics and grouping them into various classes.
a) Tabulation
c) Separation
- b) Editing
d) Classification
40. is one which is collected by the investigator himself for the purpose of a specific inquiry or study.
a) Secondary data
c) Statistical data
- b) Primary data
d) Published data

EXPECTED MCQs FOR EXAM

1. In a normal distribution, mean (m) $\pm 3s$ (3 standard deviation) limits contains approximately -

- a) 99.73% of the observations,
c) 96% of the observations,
- b) 99.27% of the observations,
d) 95% of the observation.

Ans : a

2. Half percent of the letters mailed in a city have incorrect address. Out of 200 such letters mailed in a day, the probability of finding at most 3 incorrect address is -

- a) $3e/8$,
c) $1/63-1$,
- b) $3/3e-1$,
d) $5/2e-1$.

Ans : b

3. If X is a random variable normally distributed with mean u and variance s^2 , then the mean deviation about mean is given by -

- a) $1/2\pi$,
c) $\sigma/2\pi$,
- b) $2/\pi$,
d) 2σ

Ans : a

4. The level of significance is the probability of committing -

- a) Type I error,
c) Standard error,
b) Type II error,
d) Probable error.

Ans : a

5. Which of the following tests is used to test a hypothesis about the mean of a univariate normal distribution with unknown variance?

- a) Normal test,
c) Paired t-test,
b) Student's test,
d) Chi-square test.

Ans : b

6. Mean and variance of Binomial distribution are –

- a) m and s^2 ,
c) m and np ,
b) m and nq ,
d) np and npq .

Ans : d

7. "Two or more events are called mutually exclusive, if the occurrence of any one of them excludes the occurrence of the other". This statement is given by –

- a) M S Roy,
c) Murray Spiegel,
b) Morris Hamburg,
d) Emile Bovel.

Ans : c

8. The probability of the happening of anyone of the several equally likely events is the ratio of the number of events favourable to it to the total number of –

- a) Possible errors,
c) Possible events,
b) Impossible errors,
d) all of these.

Ans : c

9. The that one of the several mutually exclusive events $X_1, X_2, X_3, \dots, X_n$, shall happen is the sum of the probabilities of the individual events.

- a) Regression analysis,
c) Probability,
b) Correlation analysis,
d) Error.

Ans : c

10. is an act or process which leads to a single definite outcome.

- a) Simple experiment,
c) Sampling,
b) Exhaustive event,
d) Manipulation.

Ans : a

11. Probability theory does not include –

- a) Mathematical expectations,
c) Correlation analysis,
b) Conditional probability,
d) Bernoulli's process.

Ans : c

12. Which of the following is /are characteristics of Poisson distribution?

- a) Main parameter (m) = np ,
c) Discrete distribution,
b) Value of p and q ,
d) all of the above.

Ans : d

13. If A and B are two mutually exclusive events, then probability that either of the two events will appear is the sum of their –

- a) Individual probabilities,
c) Entire population,
b) Likely events,
d) None of the above.

Ans : a

14. From a well shuffled pack of 52 cards, a card is selected at random. Find the probability that it is a black coloured card.

- a) $\frac{1}{4}$,
b) $\frac{26}{36}$,
c) $\frac{1}{2}$,
d) $\frac{1}{3}$.

Ans : c

15. If $p=q=\frac{1}{2}$, the frequency distribution will be –

- a) Perfectly symmetrical,
c) Zero,
b) Non-perfectly symmetrical,
d) +1.

Ans : a

16. Distributions which are not obtained by actual observations but are deduced mathematically under certain definite hypothesis or assumptions are called –

- a) Correlation analysis,
b) Theoretical frequency distribution,

- c) Regression analysis, d) Mean and average.

Ans : b

17. Binomial distribution is a discrete probability distribution which expresses probability of one set of dichotomous alternatives known as –

- a) mode, b) Success and failure,
c) Correlation analysis, d) all of these.

Ans : b

18. Frequency distribution includes –

- a) Binomial distribution, b) Poisson distribution,
c) Normal distribution, d) all of these.

Ans : d

19. Size of the binomial distribution depends on –

- a) Value of X and Y, b) Value of Z and B,
c) Value of p and q, d) Value of 't'.

Ans : c

20. Binomial distribution was developed by –

- a) Marshal, b) Fisher,
c) Jacob Bernoulli, d) Bordington.

Ans : c

21. The density function is a measure of the concentration of probability within –

- a) Limit, b) Interval,
c) Distribution, d) Probability theory.

Ans : b

22. If in a binomial distribution P is very small and n is very large but $nP = m$, i.e. expected or mean value of binomial distribution is not negligible, it approximates closely to the –

- a) Regression analysis, b) Correlation analysis,
c) Poisson distribution, d) Mean.

Ans : c

23. Which of the following is /are characteristic of Poisson distribution?

- a) Discrete distribution, b) Value of p and q,
c) Main parameter (m) = nP, d) all of these.

Ans : d

24. Six dice are thrown 729 times. How many times do you expect the dice to show five or six?

- a) 160, b) 130, c) 233, d) 270.

Ans : c.

25. Probability density function gives the rate at which the Would accumulate if we were to sweep from left to right on the axis of the value of continuous random variable.

- a) Mean, b) Average, c) Probability, d) Mode.

Ans : c

26. The incidence of occupational disease in an industry is such that the workers have 20% chance of suffering from it. What is the probability that out of 6 workers 4 or more will contract disease?

- a) $3/69$, b) $39/139$, c) $160/139$, d) $53/3125$.

Ans : d

27. Suppose that in a box of 80 bulbs packed, the mean number of defects per box is 0.3. What per cent of bulbs will have no mistake?

- a) 30%, b) 74%, c) 12%, d) 120%.

Ans : b

28. The probability that a college student will be graduate is 0.4. What will be the probability that out of the 5 students, none will be graduate?

- a) 0.333, b) 0.0777, c) 0.562, d) 0.427.

Ans : b

29. A and B play a game in which A's chance of winning is $3/5$. In a series of 6 games, what is the chance that A will win atleast 4 games?

- a) 54, b) 50, c) 45, d) 90.

Ans : a

30. Find the probability that in a family of 4 children there will be atleast one boy. Assume that the probability of a male birth is $\frac{1}{2}$.

- a) $\frac{7}{8}$, b) $\frac{3}{9}$, c) $\frac{15}{16}$, d) $\frac{1}{9}$

Ans : c

31. Correlation implies that-

- a) The effect of correlation is to reduce the range of uncertainty of our prediction,
b) Between two series or groups of data there exists some causational connections,
c) The whole subject of correlation refers to inter-relation between separate character by which they tend, in some degree atleast, to move together,
d) all of the above.

Ans : d

32. Degree of correlation includes -

- a) Perfect correlation, b) Absence of correlation,
c) Limited degree of correlation, d) all of the above.

Ans : d

33. Which of the following can be used to determine correlation?

- a) Simple graphical method, b) Karl Pearson's coefficient,
c) Least square method, d) all of the above.

Ans : d

34. Which of following is / are characteristics of Karl Pearson's coefficient of correlation?

- a) Indication of degree, b) Indicator of the direction,
c) A satisfactory measure, d) all of these.

Ans : d

35. Assumptions of Karl Pearson's Coefficient of correlation includes -

- a) Normality, b) Cause and effect relationship,
c) Liner nature, d) all of the above.

Ans : d

36. The value of Karl Pearson's Coefficient of correlation can be -

- a) ± 1 , b) ± 2 , c) 0, d) ± 0.5

Ans : a

37.defines the limits above and below the size of the coefficient determined within which, there is an equal chance that coefficient, similarly calculated from other samples will fall.

- a) Standard error, b) Correlation error,
c) Probable error, d) Average error.

Ans : c

38. The Error of correlation is an amount which if added to and subtracted from the average correlation coefficient produces amounts within which the chances are even that a coefficient of correlation from a series error selected at random will fall.

- a) standard, b) Probable, c) Average, d) Sample.

Ans : b

39. R1.23 is -

- a) Regression analysis, b) Sample correlation,
c) Multiple correlation, d) Partial correlation.

Ans : c

40. If $r_{12} = 0.9$, $r_{13} = 0.75$, $r_{23} = 0.7$, find R1.23-

- a) 0.916, b) 0.36, c) 0.39, d) 0.691.

Ans : a

41. It is often more important to find out what the relation actually is, in order to estimate or produce one variable, and the technique appropriate to such a case is called -

- a) Correlation analysis, b) Mean,
c) Regression analysis, d) median.

Ans : c

42. While correlation analysis tests the with which two or more phenomena covary, regression analysis measures the nature and extent of this relation, this enabling as to make prediction.

- a) Closeness,
c) Separation,
- b) Realization,
d) Validation.

Ans : a

43. A line used to estimate the value of one variable from the value of the other consists of a line through the points, drawn in such a manner as to represent the average relationship between the two variables is known as –

- a) Correlation,
c) Regression,
- b) Average,
d) Sampling.

Ans : c

44. Regression equation of x on y can be –

- a) $y = a + bx$,
c) $y = a + bx^2 + cx$
- b) $x = a + by$,
d) $x = a + b$

Ans : b

45. In a sample of 400 books, 172 were Economics books. Estimate the population proportion at 95% confidence levels –

- a) 43% to 12%,
c) 9% to 15%,
- b) 47.8% to 38.1%,
d) 12% to 20%.

Ans : b

46. Z-test is a-

- a) student's t-test,
c) Fisher's t-test,
- b) Fisher's Z-test,
d) Student's Z-test.

Ans : b

47. χ^2 is a-

- a) Mean square test,
c) Chi-square test,
- b) Correlation test,
d) X-test.

Ans : c

48. χ^2 is tested by –

- a) Bordington,
c) Prof. Chi-Square,
- b) C H Meyers,
d) Karl Pearson.

Ans : d

49. Which of the following is the application of χ^2 test?

- a) Test of freedom,
c) Test of goodness of fit,
- b) Test concerning the variance of a normal distribution,
d) all of the above.

Ans : d

50. The frequency distributions are –

- a) binomial,
c) normal,
- b) poisson,
d) all of these.

Ans : d

PRACTICE SET

1. Important objective of statistical analysis is to get _____ that describes the characteristics of the entire data.

- a. Single value
b. Average value
- c. central value
d. all of these

2. The modal class is a class with _____ frequency.

- a. Highest
b. Lowest
- c. no
d. none of these

3. Calculation of arithmetic mean by short cut and step deviation method is based on assumed mean, which is taken from
- Given independent variable
 - Given frequency distribution
 - Estimated cumulative frequency distribution
 - None of the above
4. The arithmetic mean of a series is the figure obtained by dividing the sum of values of all items by
- 2
 - 3
 - 4
 - their number
5. Which of the following are the positional averages?
- Mean
 - Median
 - Mode
- Codes
- 1 2
 - 2 3
 - 1 3
 - 1 2 3
6. Which of the following is not a mathematical average?
- Median
 - Arithmetic mean
 - geometric mean
 - harmonic mean
7. Arithmetic mean and harmonic mean includes all values of the data set in its calculation
- True
 - False
 - partly true
 - none of these
8. A measure of central tendency means
- An average of a distribution
 - A single figure which can be regarded as a representative of the whole distribution
 - Representative of a set of data
 - All of the above
9. Weighted averages are considered when
- The data are not classified
 - The data are put in the form of grouped frequency distribution
 - All the observations are not of equal importance
 - Both a and c
10. _____ is particularly useful when we have to compute the mean of means
- Arithmetic mean
 - Geometric mean
 - weighted arithmetic mean
 - none of the above
11. The less than and more than cumulative frequency plot should intersect at the _____ of the data.
- Mean
 - Median
 - mode
 - all of these
12. Mode is a positional average which is used to deal with which type of data?
- Quantitative data
 - Qualitative data
- Codes

- a. 1 b. 2 c. 1 2 d. none of these

- 13.** Object of median is to
 a. Fix a representative value
 b. Establish a dividing line separating the higher from the lower values
 c. Both a and b
 d. Neither a nor b

- 14.** The _____ is less sensitive to extreme scores than the _____
 a. Median, mean c. mode, median
 b. Mean, median d. none of these

- 15.** Mode quantitatively describes
 a. Standard behavior c. fashion or trend of the period
 b. Abnormalities d. none of the above

- 16.** Find out the value of the median from the following frequency

Size of items	8	10	12	14	16	18	20
Frequency	3	7	12	28	10	9	6

- a. 12 b. 14 c. 16 d. 18

- 17.** The following figures represent the number of book issued at the counter of a commerce library in 11 different ways. Calculate the median.
 19, 180, 98, 75, 270, 20, 102, 100, 94, 75, 200

- a. 96 b. 98 c. 100 d. 102

- 18.** Statistical average has significance due to following sequences
 1. To present huge mass of data in a summarized form
 2. To facilitate comparison of different sets of data
 3. To help decision making
 a. 1 2 3 b. 2 3 1 c. 2 1 3 d. 3 2 1

- 19.** Which of the following statistical measures is based on all observations?
 a. Harmonic mean c. mode
 b. Range d. none of these

- 20.** Which of the following can be calculated from a cumulative frequency curve?
 a. Geometric mean c. median
 b. Harmonic mean d. mode

- 21.** Which of the following can be calculated for grouped data with open ended classes?
 a. Mean b. median c. mode d. both b and c

- 22.** How will the arithmetic mean be affected by adding a constant 'b' to every item?
 a. $\bar{x} + b$ b. $\bar{x} - b$ c. \bar{x}/b d. none of these

23. It is appropriate to calculate the mean excluding the extreme value in order to make it more representative.

- a. True b. false c. partly true d. none of these

24. In a series, the sum of all the observations is _____ times the arithmetic mean.

- a. 2 b. mean itself c. 5 d. none of these

25. If first and third quartile is 40 and 80 respectively. The median is

- a. 60 b. 50 c. 45 d. 70

26. Which of the following measures of central tendency may not be contained in the observation?

- a. Mean b. median c. mode d. all of these

27. Arithmetic mean of a group of 100 items is 50 and of another group of 150 items is 100. what will be the mean of all items?

- a. 75 b. 100 c. 80 d. none of these

28. Given, mode = 22 and median = 21.4. find out the average mean.

- a. 21.1 b. 21.4 c. 22.1 d. 22.4

29. Calculate the mean of marks of 46 students from the following table

Marks X	Frequency
9	1
10	2
11	3
12	4
13	5
14	6
15	7
16	8
17	9
18	10
Total	55

- a. 12.01 b. 15 c. 14.56 d. none of these

30. In a moderately asymmetrical distribution, the mode and mean are 42 and 40 respectively. The median is

- a. 39 b. 40.67 c. 38 d. 41.02

31. Calculate mean from the following data

Age X	Frequency f
17	2
18	1
19	1
20	2
22	3

23

1

- a. 15 b. 30 c. 20 d. 40

32. The mean age group of 100 persons was found to be 30.2. later it was discovered that age 57 was misread as 27. Find the correct mean

- a. 30.5 b. 31.23 c. 32.32 d. 36.44

33. Arithmetic mean of 98 items is 50. Two items 60 and 70 were left out at the time of calculation. What will be the correct mean of all the items?

- a. AM = 50.2 b. AM=50.3 c. AM=49.9 d. AM=50.9

34. Find the median from the following data.

Gross profit (% of sales)	Number of companies
0-10	21
10-20	32
20-30	43
30-40	34
40-50	23

- a. 23.40 b. 25.46 c. 40.40 d. 38.53

35. Range limit can be expressed as

- a. $R = L + S$ b. $R = L + S/2$ c. $R = L - S$ d. None of these

36. Which of the following is the tool of measures of the variation of items?

- a. Mean b. median c. mode d. dispersion

37. The most commonly used measure of dispersion is _____

- a. Range c. coefficient of c=variation
b. Standard deviation d. quartile deviation

38. Which measure of dispersion is square of standard deviation?

- a. Variance c. quartile deviation
b. Range d. mean deviation

39. _____ is a true measure of dispersion.

- a. Range c. inter-quartile range
b. Mean deviation d. none of these

40. Coefficient of range can be calculated as

- a. $L + S/L \times S$ b. $L + S/L - S$ c. $L - S/L + S$ d. $L \times S/L + S$

41. Standard deviation can be expressed as

- a. $\sum \{ \bar{x} - x \} / n$ b. $\sum \{ x - \bar{x} \} / N$ c. $\delta = \sum (x - \bar{x})^2 / n$ d. none of these

42. Which of the following is correct formula to calculate width of the class?

- a. Class range / number of classes

- b. Class range \times number of classes
- c. Class range + total number of sample
- d. None of the above

43. Which of the statements are true about measures of dispersion.

- 1. The divergence of a set of observation
- 2. The concentration of a set of observation

Codes

- a. 1
- b. 2
- c. 1 2
- d. none of the above

44. For a continuous frequency distribution range is defined as

- a. Difference between the upper limit of the first class and lower limit of last class
- b. Difference between the upper limit of the highest class and the lower limit of the smallest class
- c. Difference between the upper limit of the highest class and lower limit of the highest class
- d. None of the above

45. Range is the measure of dispersion which is used for the following purpose

- 1. Quantity control of products.
- 2. Studying the fluctuation in financial and share market.

Codes

- a. 1
- b. 2
- c. 1 2
- d. none of the above

46. The range based on middle 50% of the observations is called _____

- a. Quartile deviation
- b. Inter quartile deviation
- c. inter quartile range
- d. none of the above

47. A small quartile deviation denotes _____ in the central 50% of the observations

- a. High variation
- b. Low variation
- c. highest value
- d. none of these

48. Calculate the value of variance if median = 23, mode = 29 and coefficient of variance is 50%

- a. 100
- b. 10
- c. 90
- d. 80

49. Compute the coefficient of range from the following data 91, 54, 44, 56, 71, 25, 09, 27, 72, 62

- a. 0.79
- b. 0.82
- c. 0.85
- d. 0.76

50. Following is the information about the employees in an organization in various age groups. Compute range and coefficient of range.

Class (years)	Number of employees
56-60	7
61-65	16
66-70	39
71-75	28
76-80	10

- a. 22, 1.02
- b. 23, 0.12
- c. 24, 0.1765
- d. none of these

51. In case of _____ distribution mean, median, mode coincide.
 a. Symmetrical c. moderately asymmetrical
 b. Asymmetrical d. none of above
52. For symmetrical distribution which of the following is true?
 a. Median - Q1 = Q3 - median c. Mean - Q1 = Q3 - mode
 b. Mode - Q1 = Q3 - median d. none of the above
53. In a unimodal and symmetric distribution, the relationship between average is like this.
 a. Mean > median > mode c. mean = median = mode
 b. Mean < median > mode d. mean > median < mode
54. Karl pearson coefficient of skewness is calculated by following formula
 a. $\bar{x} - Z / \delta$ b. $\bar{x} - M / \delta$ c. $Z - \bar{x} / \delta$ d. $\bar{x} - \delta / Z$
55. bowleys coefficient of skewness is calculated by following formuls
 a. $Q3 + Q1 - M / Q3 - Q1$ c. $Q2 + Q1 - 2M / Q3 - Q1$
 b. $Q3 + Q1 - 2M / Q3 + Q1$ d. $Q3 + Q1 - 3M / Q3 - Q1$
56. Skewness will be negative, when
 a. $\bar{x} > Z$ b. $\bar{x} < Z$ c. $\bar{x} = Z$ d. none of these
57. in a series, the difference of two quartiles is 10 their sum is 25 and the median is 6.5, then the coefficient of skewness will be
 a. 0.12 b. 1.2 c. 12 d. 2.5
58. In a frequency distribution, bowleys coefficient of skewness is 0.6, if the sum of two quartiles is 100 and median is 38, the value of third quartile will be
 a. 70 b. 30 c. 60 d. 40
59. If mean = 45, median = 48 and coefficient of skewness = - 0.4 then the value of standard deviation will be
 a. 20.5 b. 15.9 c. 22.5 d. 25.8
60. The theory of meand of which quantitative connections between the sets of phenomena are determined is called the _____
 a. Theory of correlation c. theory of determination
 b. Theory of regression d. none of these
61. Which one of the following is a formula of Karl pearson coefficient correlation?
 a. $r = \frac{\sqrt{\sum XY}}{\sum X^2 \sum Y^2}$ b. $r = \sum \frac{XY}{\sqrt{Y^2 - \sum X^2}}$ c. $r = \sum \frac{xy}{\sqrt{x^2 - \sum y^2}}$ d. none of these
62. ---

63. Correlation is said to be linear, when the
- Increase in one variable results decrease in the other
 - Decrease in one variable results an increase in the other
 - Change in one variable does not affect the other
 - Change in one variable tend to bear constant ratio of change in the other
64. Correlation obtained by concurrent deviation method indicate only following results
- Direction of co-changes
 - Degree of co-changes
 - Direction and degree of co-changes
 - None of the above
65. Coefficient of correlation between X and Y is directly proportional to
- Standard deviation of X
 - Standard deviation of Y
 - covariance of X and Y
 - both a and b
66. Which drawing a scatter diagram if all the points appear to form a straight line going downward from left to right, then it is inferred that there is a
- Perfect positive correlation
 - Simple positive correlation
 - perfect negative correlation
 - no correlation
67. Coefficient of determinations is defined as
- R^2
 - $1 - r^2$
 - $1 + r^2$
 - r^2
68. There will be positive correlation in X and Y, if
- Both the variable are varying in the same direction
 - Variables are varying in opposite direction
 - There is no certaintrend of change in both variables
 - None of these
69. ---
70. ----
71. Proportion of changes in y due to change in x is denoted by the following measures.
- Standard error estimate
 - Coefficient of correlation
 - coefficient of determination
 - probable error
72. -----
73. -----
74. -----
75. If in two series the change occurs in same direction (either increase or decrease) then correlation is

- a. Negative c. zero
b. Positive d. none of these
76. Which of the following are related with the utility of correlation?
a. Help in decision making c. relation between two variables
b. Useful in research work d. all of the above
77. Which of the following is a causes of correlation?
a. Direct relationship c. mutual reaction
b. Correlation due to any other common cause d. none of these
78. If two entries are assigned the average of rank 5 and its next rank 6, then the next rank after 5.5 is
a. 5 b. 6 c. 7 d. 8

79. In the formula $R = 1 - \frac{6\sum D^2}{N(N^2-1)}$ D stands for
a. Deviation c. coefficient of correlation
b. Difference of two ranks d. none of these
80. Arrange the following steps in sequence for finding the correlation between variable.
1. Determine the two variables X and Y.
2. Variables X and Y are plotted on X axis and Y axis in the XY plane
3. Then correlation is determined by seeing the scatter diagram
Codes
a. 1 2 3 b. 2 3 1 c. 1 3 2 d. 3 2 1

81. Karl pearson coefficient of correlation between two variables x and y equal to
a. Covariance between two variables
b. Product of their standard deviation
c. Square root of the product of two regression coefficient
d. None of the above

82. From the following data, calculate coefficient of correlation.

X	1	2	3	4	5
Y	10	20	30	40	50

- a. 0.9 b. 0.8 c. 0.6 d. 10.1

83. Calculate rank correlation coefficient from the following data.

X	59	69	39	49	29
Y	79	69	39	49	39

- a. 0.2 b. 0.8 c. 0.7 d. 0.9

84. If the coefficient of correlation between x and y is 0.28 covariance between x and y is 7.6 and the variance of x is 9, then the standard deviation of y series is
a. 9.0 b. 9.1 c. 9.05 d. 10

85. What types of correlation exists in the following two variates?

X	1	2	3	4	5	6
Y	10	12	14	16	18	20

- a. -1 b. 0 c. +1 d. ± 1

- 86.** Correlation coefficient is taken to be significant, if
a. $R > 5$ P.E b. $r > 6$ P.E c. $r < 6$ P.E d. $r = 6$ P.E

87. -----

- 88.** The limits of the population correlation is

- a. $R \pm P.E$ b. $r \pm 3 S.E$ c. $r \pm 3 P.E$ d. none of these

- 89.** If sum of the product of deviations of x and y series from their means is zero the coefficient of correlation shall be

- a. $+1$ b. 0 c. -1  d. none of these

90. High degree of correlation is assumed, when
- a. $R = 0.52$ b. $r = 0.45$ c. $r = 0.9$ d. $r = 0.65$

- 91.** In regression analysis, it is assumed that there is an actual relationship between the _____ and independent variable
- a. Dependent b. another variable c. given variable d. none of these

- 92.** Least square method of fitting a line (the line of best fit or the regression line) through the scatter diagram is a method, which _____ the sum of the squared vertical deviations from the fitted line
- a. Maximizes b. minimizes c. neither a nor b d. all of the above

93. —

- 94.** The layer the standard error oof estimate the _____ happens to be the dispersion of given observations around the regression line.

- a. Lower b. greater c. both a and b d. none of the above

- 95.** If x and y are independent variables, then the two lines of regression are

- a. $X = 0, y = 0$
b. $X = \text{constant } y = \text{constant}$

- 96.** If the regression coefficient of Y on X is $4/3$, then the regression coefficient of X is

- a. More than 1
b. Less than 1
c. less than 0
d. none of these

- 97.** When there is either perfect positive correlation and either perfect negative correlation between the two variables the two regression lines will _____

- a. Overlap c. both a and b
b. Coincide d. none of these

98. Which of the following measures are unit free?

1. Correlation coefficient 3. Coefficient of variation
2. Covariance 4. Index numbers

Codes

1. 1 2 3 b. 1 3 4 c. 1 4 none of the above

99. Assertion Medan is simply the middle value when the data have been arranged in ascending or descending order.

Reason Median refers to middle value in the distribution.

Codes

- a. Both A and R are true
b. A is true but R is false
c. A is false but R is true
d. Both A and R are false

100. Assertion Median of a distribution is that value of the variant which divides it in two equal parts.
Reason Median is a positional average

- a. Both A and R are two
b. Both A and R are true but R is not the correct explanation of A
c. Both A and R are false
d. A is true but R is false

ANSWER KEYS

1=C	2=A	3=A	4=D	5=B	6=A	7=A	8=D	9=C	10=D
11=B	12=A	13=C	14=A	15=C	16=B	17=A	18=A	19=A	20=C
21=B	22=A	23=A	24=D	25=A	26=D	27=B	28=A	29=B	30=B
31=C	32=A	33=B	34=B	35=C	36=D	37=B	38=A	39=D	40=C
41=C	42=A	43=C	44=B	45=C	46=A	47=B	48=A	49=B	50=D
51=A	52=A	53=A	54=A	55=C	56=B	57=B	58=A	59=C	60=A
61=C	62=B	63=D	64=A	65=C	66=C	67=D	68=A	69=A	70=C
71=C	72=B	73=C	74=C	75=B	76=D	77=A	78=C	79=B	80=A
81=D	82=A	83=B	84=C	85=C	86=B	87=B	88=A	89=B	90=C
91=A	92=B	93=B	94=B	95=B	96=B	97=B	98=B	99=A	100=A

PREVIOUS YEAR QUESTIONS (2004-2019)

1. If a perpendicular on X-axis from the point of intersection of both less than and more than frequency curves is drawn, it gives the value of

- a. Arithmetic mean c. mode
b. Third quartile d. median

2. The probable error of the coefficient of correlation is calculated by which one of the following formula?

- a. $0.6745 \frac{\sqrt{1-r^2}}{n}$ b. $0.6745 \frac{1-r^2}{\sqrt{n}}$ c. $0.6745 \left(1 + \frac{r^2}{\sqrt{n}} \right)$ d. $0.6745 \frac{1+r^2}{n}$

3. There is a very high inverse relationship between measures of overweight and life expectancy. Which one of the following value of the coefficient of correlation is consistent with the statement?

- a. 0.80 b. 0.20 c. - 0.20 d. - 0.80

4. Which of the following statements are true? Select the correct code

1. The coefficient of rank correlation has the same limits as the Karl Pearson coefficient of correlation.

2. The coefficient of correlation is independent of the change of origin but not of scale.

3. The covariance between X and Y is defined as $\sum xy/n$ where $x = (x - \bar{x})$, $y = (y - \bar{y})$ and n = no. of period observations.

4. b_{xy} is called regression coefficient of X variable on Y variable

5. If b_{xy} is 0.4 and b_{yx} is 1.6, coefficient of determination would be 0.8.

Select the correct answer

- a. 1 2 3 b. 1 3 4 c. 3 4 5 d. 2 3 5

5. Which one of the following is a false statement?

a. The signs of the regression coefficients are always the same

b. Correlation coefficient is the geometric mean of the two regression coefficients

c. The covariance between two variables divided by the product of their standard deviations produces the value of coefficient of correlation

d. Coefficient of correlation is independent of origin but not of scale

6. If the two regression coefficients are 0.8 and 0.2, then the value of coefficient of correlation is

- a. - 0.16 b. + 0.50 c. + 0.40 d. - 0.40

7. If unexplained variation between variables X and Y is 36%, what is the coefficient of correlation between the variables?

- a. 0.36 b. 0.64 c. 0.60 d. 0.80

8. Which one of the following is a false description?

a. In a moderately asymmetrical distribution, the empirical relationship between mean, mode and median suggested by Karl Pearson is
Mean - mode = 3 (mean - median)

b. Coefficient of variation is an absolute measure of dispersion

c. Measure of skewness indicates the direction and extent of skewness in the distribution of numerical values in the data set.

d. Kurtosis refers to the degree of flatness or peakedness in the region around the mode of a frequency curve.

9. ---

10. ----

11. Select the methods of finding out correlation from the following?

1. Karl pearsons method
2. Yules method
3. Spearman's rank method
4. Coefficient of contingency
5. Concurrret deviation method

Code

- a. 1 2 3 b. 1 2 3 4 c. 1 2 5 d. 3 4 5

12. A set of data can be distinguished from other set of data by means of

- a. Central value and dispersion
- b. Central value, dispersion and skewness
- c. Central value, dispersion, skewness and kurtosis
- d. None of the above

13. The following are the estimated regression equations for x and y variables

$$X = 0.85y \quad y = 0.89x$$

With this information, the value of the coefficient of correlation would be

- a. 0.87 b. 0.86 c. 0.89 d. 0.75

14. Which one of the following formulas is used to calculate probable error of correlation coefficient between two variables of n pairs of observations?

- a. $0.6745 \frac{1-r^2}{\sqrt{n}}$ b. $0.5758 \frac{1-r^2}{\sqrt{n}}$ c. $0.675 \frac{1-r^2}{\sqrt{n}}$ d. $0.5758 \frac{1-r^2}{n}$

15. Which one of the following is false?

- a. Both correlation and regression coefficients have same sign
- b. Arithmetic mean of the regression coefficients is always more than the correlation coefficient
- c. Regression coefficients are independent of both the origin and scale
- d. Correlation coefficient is the square root of two regression coefficients

16. If the dependent variable increases as the independent variable increases in an estimation equation, the coefficient of correlation will be in the range

- a. 0 to -1 b. 0 to -0 c. 0 to - 0.05 d. 0 to 1

17. Assertion When there is an evidence of a linear relationship between two variables, it may not always mean and independent-dependent relationship between the two variables.

Reason The causal relationship between the two variables may not imply a reasonable theoretical relationship between the two.

- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are true, but R is not the correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

18. A distribution, where the value of arithmetic mean is maximum as compared to median and mode is

- a. Normal distribution
- b. Positively skewed distribution
- c. Negatively skewed distribution

- d. None of the above
19. The most appropriate average to be used to compute the average rate growth in population is
a. Arithmetic mean c. geometric mean
b. Median d. harmonic mean
20. Assertion if regression coefficient of X on Y is greater than one, regression coefficient of Y on X must be less than one
Reason The geometric mean between two regression coefficients is the coefficient of correlation.
- a. Both A and R are true
b. A is true but R is false
c. A is false but R is true
d. Both A and R are false
21. The regression equation of profits X on sales Y of a firm is given as $3Y - 5X + 10 = 0$. If the sales of the firm is Rs 44000, the profit will be
a. 23370 b. 26422 c. 24422 d. 21370
22. Cricketer A scores on an average 40 runs with a standard deviation of 5. Scores of players B and C on an average are 75 and 90 with standard deviations 1- and 18 respectively. Arrange the players in the descending order of consistency.
a. A B C b. C B A c. B A C d. C A B
23. Which one of the following is not a measures of dispersion?
a. Quartile b. range c. mean deviation d. standard deviation
24. If $b_{xy} = 0.25$ and $b_{yx} = 0.64$ correlation coefficient is
a. 0.16 b. 0.40 c. 0.89 d. 0.30
25. If the value of coefficient of determination is 0.64, what is the value of coefficient of correlation?
a. 0.40 b. 0.80 c. 0.08 d. 0.04
26. Karl Pearsons coefficient of correlation between two variables is
a. The product of their standard deviations
b. The square root of the product of their regression coefficinets
c. The covariance between the variables
d. None of the above
27. If the two regression coefficients are 0.8 and 0.2 then the value of coefficient of correlation is
a. +0.16 b. - 0.40 c. - 0.16 d. +0.40
28. Which one of the following is a relative measures of dispersion?
a. Standard deviation c. coefficient of variation
b. Variance d. none of the above

ANSWER KEYS

1=D	2=B	3=A	4=B	5=D	6=C	7=D	8=B	9=C	10-A
11-C	12-C	13-A	14-A	15-B	16-D	17-A	18-B	19-C	20-A
21-B	22-A	23-A	24-B	25-B	26-B	27-D	28-C		

PRACTICE SET'

1. Assertion The simple arithmetic mean will be equal to the weighted arithmetic mean, when all items are assigned equal weights.

Reason The simple arithmetic mean will be less than the weighted mean when items of small values are given less weights and items of big values are given more weights.

- Both A and R are true
- Both A and R are true but R is not the correct explanation of A
- Both A and R is false
- A is true but R is false

2. Assertion Range is not useful to manager for comparison, if the observations are in different units.

Reason For the purpose of comparison a relative measure of range is required which is called coefficient of range.

- Both A and R are true
- A is true but R is false
- Is false but R is true
- Both A and R are false

3. Assertion A standard deviation is independent of change of origin

Reason The value of standard deviation remains the same, if in a series each the observation is increased or decreased by a constant quantity

- Both A and R are true
- Both A and R are true but R is not the correct explanation of A
- Both A and R are false
- A is true but R is false

4. Assertion In mean deviation, everything is considered positive.

Reason Sum of the deviations of the value of items in a series from arithmetic mean is zero and from other averages it is nearly zero.

- Both A and R are true
- Both A and R are true but R is not the correct explanation of A
- Both A and R are false
- A is true but R is false.

5. Assertion The value of coefficient of correlation shall always lie between $-1 < r < +1$.

Reason When the value of $r = +1$ the correlation between the variable is perfect and positive and when $r = -1$, correlation is said to be perfect and negative

- Both A and R are true
- A is true but R is false
- R is true but A is false

d. Both A and R are false

6. Assertion A The two lines of regression can never be parallel.

Reason The two lines of regression always pass through common point $(\bar{x} - \bar{y})$. therefore they can never be parallel.

- Both A and R are true and R is the correct explanation of A
- A is true but R is false
- R is true but A is false
- Both A and R are false

7. Assertion In regression analysis the values of the dependent variable are random but values of the independent variable are fixed quantities without error and are chosen by the analyst.

Reason Regression analysis provides value of the regressed variables dependent from the value of the regression variables independent variables.

- Both A and R are true and R is the correct explanation of A
- Both A and R are true but R is not the correct explanation of A
- Both A and R are false
- A is false but R is true

8. Match the following

List-I	List-II
a. Range	1. Not based on all observation in data
b. Mode	2. Middle value of a series arranged in any order of magnitude
c. Mean	3. It can be used even when classes are open ended
d. Median	4. Is the most simple and frequently used average

Codes

- | | A | B | C | D |
|----|---|---|---|---|
| a. | 1 | 3 | 4 | 2 |
| b. | 1 | 2 | 3 | 4 |
| c. | 2 | 1 | 4 | 3 |
| d. | 3 | 2 | 1 | 4 |

9. The mean and standard deviation of observations are 35 and 2 respectively

List I	List II
a. Changed mean of each observation is increased by 4	1. 39
b. Standard deviation if each observation is increased by 4	2. 2
c. Changed mean if each observation is multiplied by 5	3. 175
d. Changed standard deviation if each observation is multiplied by 5	4. 10

Codes

	A	B	C	D
a.	1	2	3	4
b.	2	1	3	4
c.	3	2	4	1
d.	4	3	2	1

10. From the given table match the following

Class interval	350-369	370-389	390-409	410-429	430-449	450-469
Frequency	15	27	31	19	13	6

List-I	List-II
a. Mid value of class interval 370 – 389	1. 379.5
b. $\sum f$	2. 111
c. $\sum fx$	3. 44464.5
d. Arithmetic mean	4. 400.58

Codes

	A	B	C	D
a.	2	1	3	4
b.	1	2	3	4
c.	3	4	2	1
d.	4	3	2	1

11. Match the following from the given observations 15, 20, 25

List-I	List-II
a. Arithmetic mean	1. 30
b. Sum of deviations from their arithmetic mean	2. 20
c. Range	3. 10

Codes

	A	B	C
a.	1	2	3
b.	2	1	3
c.	1	3	2
d.	3	2	1

12. Match the following

16. 17. 22, 16, 14

List-I	List-II
a. Arithmetic mean	1. 16
b. Median	2. 16.63
c. Mode	3. 17
d. Harmonic mean	4. 16

Codes

	A	B	C	D
a.	1	2	3	4
b.	3	4	1	2
c.	4	2	3	1
d.	4	3	2	1

13. Match the following

List-I	List-II
a. Quartile deviation	1. Obtained by calculating the absolute deviation of each observation from mean.
b. Standard deviation	2. Is one half of the inter quartile range
c. Mean deviation	3. Is the square root of the average of the squared distances of the observation from the mean

Codes

	A	B	C
a.	2	3	1
b.	1	2	3
c.	2	1	3
d.	3	2	1

14. Match the following

List-I	List-II
a. Perfect positive	1. 0
b. Perfect negative	2. +1
c. No correlation	3. -1

Codes

	A	B	C
a.	1	2	3
b.	2	1	3
c.	3	1	2

d. 2 3 1

15. Match the following

List-I	List-II
a. Positive correlation	1. When two or more variables are involved and they are to be studied in relation to their relationship with one another.
b. Multiple correlation	2. When ratio of change between two variables is uniform
c. Linear correlation	3. When relationship of two variables is studied by eliminating the effect of other variables from both
d. Partial correlation	4. When movement of variables take place in same direction

Codes

	A	B	C	D
a.	4	1	2	3
b.	1	2	3	4
c.	3	2	4	1
d.	2	3	1	4

16. Match the following

List-I	List-II
a. Simple regression	1. Process of predicting one variable from another
b. Multiple regression	2. Single variable is used to predict another variable on the assumption of linear relationship between the given variables
c. Simple linear regression analysis	3. Involves two or more independent variables and one dependent variable

Codes

	A	B	C
a.	1	2	3
b.	1	3	2
c.	3	1	2
d.	3	2	1

ANSWER KEYS

1=A	2=A	3=A	4=A	5=A	6=A	7=B	8=A	9=A	10=B
11=B	12=B	13=D	14=D	15=A	16=B				

PRACTICE SET'

1. Schedules help us in collecting
 - a. Secondary data
 - b. Qualitative data
 - c. primary data
 - d. none of these
2. The process of arranging records with a file is called
 - a. Ordering
 - b. Arranging
 - c. sequencing
 - d. sorting
3. Multistage stratified random sampling is
 - a. Probability sampling
 - b. Selective sampling
 - c. non-probability sampling
 - d. none of these
4. Which of the following are considered output units in a computer
 - a. Floppy disk, data, etc
 - b. Printers
 - c. Video display unit
 - d. Micro film
5. Standard error of mean defined as
 - a. Standard deviation of the sampling distribution of mean
 - b. Average of sampling distribution of mean
 - c. Inter-quartile range of sampling distribution of means
 - d. Correlation coefficient between the sampling distribution of mean
6. Which one of the following is not involved in the characteristics of business
 - a. Business ethics is a dynamic philosophy
 - b. Business ethics is based on moral value
 - c. Business ethics influenced by social cultural values
 - d. Business ethics is not inspired by social welfare
7. If the probability of inclusion of every unit of the population in the sample is equal, it is called
 - a. simple random sampling
 - b. stratified random sampling
 - c. systematic random sampling
 - d. none of these
8. For 3×2 contingency table, the degree of freedom for testing the hypothesis is
 - a. 6
 - b. 2
 - c. 3
 - d. 4
9. The central processing unit of a computer consists of
 - a. input, output and processing
 - b. control unit, primary storage and secondary storage
 - c. control unit, arithmetic logic unit and primary storage
 - d. none of the above

10. if the sample size increases the sampling error

- a. decreases b. increases
- c. remains constant d. none of the above

11. goodness of fit of a distribution is tested by

- a. t-test b. chi-square test c. f-test d. none of these

12. probability of rejecting the null hypothesis when it is true is called

- a. type II error b. type I error c. standard error d. none of these

13. standard error of mean is defined as

- a. standard deviation of the sampling distribution of mean
- b. standard deviation of data
- c. inter quartile range of the data
- d. none of these

14. which test we normally apply for qualitative data?

- a. t-test b. f test c. X^2 chi-square test d. v test

15. chi-square test is a

- a. parametric test b. non-parametric test
- c. small sample test d. none of the above

16. β -error in hypothesis testing refers to

- a. type I error b. type II error
- c. both type I and II error d. none of these

17. convenience sampling is a

- a. probability sampling b. non-probability sampling
- c. random sampling d. none of the above

18. we can measure the cause and effect relationship by the help of

- a. time series analysis b. cross sectional analysis
- c. correlation analysis d. regression analysis

19. average revenue curve will not touch O-X axis because it can not be

- a. positive b. zero c. negative d. none of the above

20. parameter refer to the feature of the

- a. population b. sample c. mean d. none of the above

21. the median of 10, 12, 14, 16, 18 will be
a. 12 b. 16 c. 15 d. 14
22. probability sampling and random sampling are
a. anonymous b. different term c. synonymous d. none of the above
23. which of the following is not a restricted random sampling technique?
a. stratified sampling b. systemic sampling
c. simple random sampling d. multistage sampling
24. classification of respondents only on the basis of gender is an application of
a. ordinal scale b. nominal scale c. interval scale d. ratio scale
25. karl pearsons coefficient of correlation between two variable is
a. the product of their standard deviations
b. the square root of the product of their regression co-efficient
c. the co-variance between the variable
d. none of the above
26. statistical software packages for research in social science include
a. SPSS b. STATA c. Mini Tab d. all of the above
27. F-test is used to test the significance of the difference between or among
a. two sample mean b. more than two sample mean
c. variable of two sample d. b and c
28. for testing of hypothesis $H_0: M_1 = M_2$ and $H_1: M_1 < M_2$ the critical value of z at 5% level of significance when size of sample is more than 30 is
a. 1.96 b. 2.32 c. 1.645 d. 2.5758
29. which of the following the non-random method of selecting samples from a population
a. stratified sampling b. quota sample
c. systematic sampling d. cluster sampling
30. if the two regression coefficient are 0.8 and 0.2 then the value of coefficient of correlation is
a. +0.16 b. - 0.40 c. - 0.16 d. + 0.40
31. which one of the following is a relative measure of dispersion
a. standard deviation b. variance
c. co-efficient of variation d. none of the above
32. which of the following is the feature of a data

- a. aggregate of fact b. numerical expressed
c. affected by various cause d. all of the above

33. which of the following is not a feature of data?

- a. statistics are collected by enumeration or estimation
- b. statistics are placed in relation to each other
- c. human being
- d. comparative study

34. which of the following is not the limitation of statistics?

- a. homogenous statistical data
- b. analysis of data
- c. presentation of means
- d. statistics law are true in the long run and on average

35. which of the following is not the part of the subject matter of business statistics.

- a. appointment
b. presentation of data
c. analysis of data
d. interpretation of data

38. a change in μ , standard deviation remaining the same, the normal curve

- a. shifts the curve a long the X axis b. it change the shape
c. it becomes symmetrical d. none of the above

39. if correlation is not perfect, it is known as

- a. perfect correlation
b. limited correlation
c. linear correlation
d. non-linear correlation

40. the statistical data is the original form before any statistical technique are used to refine process or summarise

- a. finished good b. primary data
c. raw data c. data

41. which one of the following is not included under the feature of useful hypothesis

- a. sampling
b. empiricism
c. related with existing theories
d. related with available techniques

42. Chi- Square test expresses as

- a. χ^2 b. x^2 c. X^2 d. x^3

43. which of the following is the tool of measure of the variation of the items

a. mode b. mean c. hypothesis d. dispersion

44. if sample size are not same but say x^1, x^2, x^3 respectively, then x will be

a. $\frac{x^2 + x^2 + x^2}{8}$ b. $\frac{x^1 + x^2 + x^3}{6}$ c. $\frac{x + x + x}{x^3}$ d. $\frac{x^1 + x^2 + x^3}{3}$

45. positive error may be (if A= real value, E = estimate value)

a. A/E b. E/A c. A<E d. E>A

46. coefficient of correlation will be always

a. more than 0 b. more than - 1 c. less than - 1 d. between - 1 and +1

47. which formula may be used for calculation of coefficient of correlation?

a. $r = \frac{bY + bX}{\sqrt{bX^2}}$ b. $r = \sqrt{bxy} + bxy$ c. $r = bYX \times bXY$ d. $r = \frac{\sqrt{bX} + bY}{Bx^2}$

48. _____ error are made when we accept a null hypothesis which is not true

a. type II b. type I c. both a and b d. none of these

49. rank correlation coefficient is computed by

a. $\frac{1}{\sqrt{N}-1}$ b. $\frac{N}{\sqrt{N}-1}$ c. $\frac{N}{\sqrt{X}-1}$ d. none of these

50. standard error of mean is computed by

a. $\frac{\text{sample}}{\sqrt{N}-1}$ b. $\frac{SD \text{ of sample}}{\sqrt{\text{sample use}}}$ c. $\frac{N}{\sqrt{N}-1}$ d. none of these

51. Ztest is a

a. student t-test b. Fisher z test c. Fisher T-test d. students Z-test

52. χ^2 is a

a. mean square rot b. correlation test c. fisher t test d. none of these

53. χ^2 is tested by

a. Bordington b. C H Meyers c. Prof Chi square d. Karl Pearson

54. chi square test is computed by

Answer:

55. Which of the following is the application of χ^2 test?

a. test of freedom
b. test concerning the variance of a normal distributon
c. test of goodness of fit
d. all of the above

56. $F = \frac{S_1^2}{S_2^2}$ is a

- a. t-test b. f-test c. z-test d. mean test

57. standard error of the difference between the proportions of two variable can be computed by

- a. $SE (P1 - P2) = \sqrt{Pq[\frac{1}{n_1} + \frac{1}{n_2}]}$ b. $SE = P - 1 \sqrt{\frac{m.pq}{100}}$
 c. $SE = \sqrt{\frac{p}{2} + \frac{q}{2}}$ d. none of these

58. assumption of Karl Pearsons coefficient of correlation includes

- a. normality b. cause and effect relationship
 c. linear nature d. all of the above

59. the value of Karl Pearson coefficient of correlation can be

- a. ± 1 b. +2 c. 0 d. ± 0.5

60. under the karl pearson rule, coefficient is computed by

- a. $\frac{\sum dxdy}{N}$ b. $\frac{\sum dxdy}{N\delta\delta}$ c. $\frac{\sum dx}{\sum dy} N$ d. $\frac{\sum dy}{N}$

61. degree of correlation includes

- a. perfect correlation b. absence of correlation
 c. limited degree of correlation d. all of the above

62. Which of the following can be used to determine correlation?

- a. simple graphical method b. karl pearson coefficient
 c. least square method d. all of the above

63. Which of the following is feature of Karl pearson coefficient of correlation.

- a. indication of degree b. indicators of the direction
 c. a satisfactory measure d. all of the above

64. Given

A values	B values
5	3
10	6
15	10
20	15
25	18
30	22

The above series is an example of

- a. linear correlation b. Positive correlation
 c. Negative correlation d. Simple correlation

65. Given

X	Y
---	---

5	37
7	31
10	20
15	15
20	10
28	5

The above series is an example of

- a. Positive correlation
- b. Negative correlation
- c. Linear correlation
- d. Non-linear correlation

66. Chunk Sampling is known as

- a. quota sampling
- b. convenience sampling
- c. judgement sampling
- d. cluster sampling

67. The first electronic computer system was developed in

- a. 1920
- b. 1930
- c. 1935
- d. 1940

68. which of the following is not a measure of dispersion

- a. Skewness
- b. mean deviation
- c. standard deviation
- d. quartile deviation

69. t-test is

- a. parametric test
- b. non-parametric test
- c. large sample test
- d. none of the above

70. the causal relationship is indicated by

- a. correlation
- b. regression
- c. association
- d. none of the above

71. systematic sampling belongs to

- a. quota sampling
- b. non-probability sampling
- c. probability sampling
- d. none of the above

72. F-test is a

- a. probability test
- b. variance test
- c. factor analysis
- d. none of the above

73. Regression analysis is a measure of

- a. degree and direction of relationship
- b. degree of association
- c. cause and effect relationship
- d. none of the above

74. which one of the following is not a measure of dispersion

- a. quartile
- b. range

c. mean deviation d. standard deviation

75. if $b_{xy} = 0.25$ $b_{yx} = 0.64$ correlation coefficient is

a. 0.16 b. 0.40 c. 0.89 d. 0.30

76. Sturge's rule is used to find out directly

a. number of classes in a continuous distribution

b. size of class limits

c. direction of the classification

d. none of the above

77. which of the following software has applications in both mathematics and statistics

a. SPSS b. SAS c. R d. none of the above

78. the regression analysis for studying only two variable at a time is called

a. simple regression b. multiple regression

c. zero regression d. none of the above

79. the area under normal distribution covered with in $\mu \pm 3\sigma$ limits is

a. 0.6827 b. 0.9545 c. 0.9973 d. 1.000

80. Sampling distribution of mean is very close to the standard normal distribution when

a. Population is normal distribution

b. Population is not normally distributed but sample size is large

c. both a and b

d. neither a nor b

81. If the value of co-efficient of determination is 0.64, what is the value of coefficient of correlation

a. 0.40 b. 0.80 c. 0.08 d. 0.04

82. When a production is heterogeneous, it is divided into groups, so that there is homogeneity within the group and heterogeneity between the groups and some items are selected at random from each group. It is a case of

a. Cluster Random Sampling b. Systematic Random Sampling

c. Quota sampling d. Stratified Random sampling

83. When one among the following is a small sample

a. 5 b. 10 c. 29 d. all of the above

84. Which one of the following softwares is used for Research Analysis

a. SAP b. ERP c. SPSS d. TALLY

85. Which one of the following is a data base Management System?

- a. MS Access b. MS excel c. MS office d. None of the above

86. In a predominantly illiterate area consisting of 1000 population data has to be located from 10% of them. The appropriate technique for data collection would be

- a. Questionnaire b. Schedule c. Interview d. All of the above

87. In a unimodal and symmetric distribution the relationship between average is like this

- a. mean > median > mode b. mean < median < mode
c. mean = median = mode d. mean > median < mode

88. Which one of the following is not an accounting software

- a. tally b. miracle c. profit d. SPSS

89. A graph of a cumulative frequency distribution is called

- a. Ogive b. Frequency polygob c. Pic diagram d. Histogram

90. The total area of a normal distribution between average value ± 1.96 of standard deviation is

- a. 95.45 % b. 95% c. 99% d. 68.34%

91. Which of the following tests is used to test the significance of the co-efficient of association?

- a. z-test b. t-test c. χ^2 test d. none of these

92. Which of the following is a relative measure of dispersion?

- a. standard deviation b. variance
c. co-efficient of variance d. none of the above

93. F-test is used to test the significance of the difference between

- a. Co-efficient of correlation between two cample group
b. Co-efficient of correlation among more than two sample group
c. average between two sample groups
d. Average of more than two sample groups

94. Co-variance between two variables is

- a. The average of the product of deviations taken from their averages.
b. A is further divided by the product of their standard deviation.
c. A is further divided by the product of their arithmetic average
d. None of the above

95. Karl Pearson coefficient of correlation between two variables X and Y is equal to

- a. The covariance between two variables
b. The product of their standard deviation

c. The square root of product of two regression coefficients

d. None of the above

96. Parameter refers to the feature of the

a. population b. sample c. both d. none of these

97. If a sample is taken at random from a population, it is likely to possess almost the same feature as that of the population. Which of the following laws states the above theme?

a. Law of Inertia of large numbers b. law of statistical regularity

c. law of persistence of small numbers d. law of optimization

98. Which one of the following factors cause non-sampling errors,

a. Inappropriate statistical units b. Inadequate sampling frame

c. Faulty process of selection d. all of the above

99. Karl Pearson coefficient of correlation between X and Y variable measures

a. Covariance between the two

b. Inverse of the products of their standard deviations

c. product of a and b

d. none of the above

100. _____ error are made when the test rejects a hypothesis which is true

a. Type I b. Type II c. both a and b d. none of these

101. Student's t-test was developed by

a. Karl Pearson b. Gossett c. Fisher d. Laplace

102. A hypothesis that asserts that there is no true difference in the sample and the population in the particular matter under study is termed as

a. Null hypothesis b. True hypothesis

c. Alternative Hypothesis d. Rejected hypothesis

103. The mostly widely used method of measuring seasonal variations is

a. Ratio to moving average method b. Ratio to trend method

c. Line relative method d. none of the above

104. correlation implies that

a. the effect of correlation is to reduce the range of uncertainty of our production

b. between two series or groups of data exists some causal connections

c. the whole subject of correlation refers to inter relation between separate features by which they tend, in some degree, to lead to move together.

d. all of the above

105. if $p=q=1/2$. The frequency distribution will be

- a. perfectly symmetrical
- b. non-perfectly symmetrical
- c. zero
- d. $\pm q$

106. distribution which are not obtained by actual observation but are deducted mathematically under certain definite hypothesis or assumptions are called

- a. correlation analysis
- b. theoretical frequency distribution
- c. regression analysis
- d. mean and average

107. data collected from published books are called

- a. primary data
- b. secondary data
- c. tertiary data
- d. none of the above

108. statistics does not deal with

- a. aggregates
- b. individuals
- c. groups
- d. mass quantity

109. Total error in a research is equal to

- a. sampling error + non-sampling error
- b. $\sqrt{\text{sampling error}} + (\text{non-sampling error})^2$
- c. sampling error $\times 100$
- d. only sampling error

110. Hypothesis cannot be stated by

- a. declarative terms
- b. null and question from terms
- c. general terms
- d. directional terms

111. the co-efficient value is always a

- a. ratio
- b. percentage
- c. average
- d. none of the above

112. A good hypothesis should be

- a. formulated in such a way that it can be tested by the data.
- b. precise, specific and consistent with most known facts
- c. of limited scope and should not have global significance
- a. all of these

113. sampling design involves the following

- i. sampling unit
- ii. Size of sample
- iii. Type of universe

iv. source list v. sampling procedure

which one of the following sequence is correct?

- a. I, ii, iii, iv, v b. iii, iv, I, ii, v c. iii, I, iv, ii, v d. iii, v, I, iv, ii

114. given the following tests:

- i. z-test b. t-test c. f-test d. z test

the concept of degree of freedom is associated with

- a. I and ii b. ii and iii c. iii and iv d. ii, iii, iv

115. which of the following has RDBMS

- i. access ii. Excel

codes

- a. I and ii b. I c. ii d. none of the above

116. the hypothesis testing consists of following steps

- i. establish a level of significance, price to sampling
ii. defining the rejection or critical regions
iii. state the hypothesis
iv. determination of a suitable test statistic

Which of the sequence is correct:

- a. ii, iii, iv, I b. iii, I, iv, ii c. iii, ii, iv, I d. iv, iii, ii, I

117. Analysis of variance technique is normally used when

- i. number of sample are more than two
ii. all the sample follow independence normal distribution with equal variance

codes

- a. I b. ii c. I, ii d. neither I nor ii

118. statements:

- i. non-sampling errors can occur in any survey, whether it be a complete enumeration or sampling.
ii. sampling errors are present both in a census as well as sample survey.

Codes:

- a. both are correct b. both wrong
c. I correct, ii wrong d. I wrong, ii correct

119. Match list-I with list-II and select the correct answer using the codes given below the lists:

List-I

List-II

a. smoothed frequency curve	I. to determine and portray the number of proportions of case
b. histogram	II. it is one dimensional
c. Bar diagram	III. it is two dimensional
d. Ogives	IV. can be drawn through various point of polygon

Codes

	A	B	C	D
a.	I	II	III	IV
b.	II	III	IV	I
c.	III	IV	II	I
d.	IV	III	II	I

120. Match list-I with List-II and select the correct answer using the codes given below

List-I	List-II
a. Chi-square test	I. secondary data
b. annual reports	II. information system
c. multi-variate	III. hypothesis testing
d. data processing	IV factor analysis

Codes:

	A	B	C	D
a.	IV	II	I	III
b.	III	I	IV	II
c.	III	IV	I	II
d.	IV	I	III	II

ANSWER KEYS

1=C	2=C	3=A	4=B	5=A	6=D	7=C	8=A	9=C	10=A
11=B	12=B	13=A	14=C	15=B	16=B	17=B	18=D	19=B	20=A
21=D	22=C	23=B	24=B	25=B	26=D	27=D	28=C	29=B	30=D
31=C	32=D	33=C	34=B	35=A	36=	37	38=A	39=B	40=B
41=A	42=A	43=D	44=D	45=D	46=D	47=B	48=C	49=A	50=B
51=B	52=C	53=D	54=C	55=D	56=B	57=A	58=D	59=A	60=B

61=D	62=D	63=D	64=B	65=B	66=B	67=D	68=A	69=A	70=B
71=C	72=B	73=A	74=A	75=A	76=A	77=D	78=A	79=C	80=C
81=B	82=D	83=D	84=C	85=A	86=C	87=C	88=B	89=A	90=B
91=C	92=C	93=D	94=A	95=A	96=B	97=D	98=C	99=B	100=A
101=B	102=A	103=A	104=D	105=A	106=B	107=B	108=B	109=B	110=C
111=A	112=D	113=C	114=D	115=A	116=B	117=C	118=C	119=D	120=B

PREVIOUS YEAR' QUESTIONS

DECEMBER-2018

1. Which of the following statements relating to the sampling theory are correct?

1. The values of the statistical measures based on the sampled units are called values of statistics.
2. In the simple random sampling technique, the element of the population and the unit of the sample are different.
3. Snow-ball sampling technique is a probability based sampling technique.
4. The law of statistical regularity and the law of inertia of large numbers are the main bases of the sample to become representative of the population.

Choose the correct answer from the codes given below.

Codes:

- a. 2 3 b. 1 4 c. 1 2 3 d. 2 3 4

JULY-2018

2. Assignment of numerals to the objects to represent their attributes is known as

- a. nominal data b. ordinal data
c. interval data d. ratio data

3. A graph of a cumulative frequency distribution is called

- a. frequency polygon b. frequency curve
c. ogive d. pie diagram

4. in the case of classification of data, the class having its upper limit is treated as the lower limit of its next class is called

- a. open ended class b. close ended class
c. exclusive class d. inclusive class

NOVEMBER- 2017

5. The formula to determine the number of classes given by Sturge's rule is which one of the following?

a. $K = 1 + 3.322(\log N)$ b. $K = (\log N)1.322$

c. $K = \frac{1+3.322}{\log N}$ d. $K = \frac{3.322}{(\log N)+1}$

6. Assertion A reasonably sized sample drawn randomly from large sized population contains almost all the features which exist in the population.

Reason The theory of sampling is based on the two important laws of statistics, viz law of statistical regularity and law of inertia of large numbers.

Codes

- a. Both A and R are correct and R is the correct explanation of A
- b. Both A and R are correct but R is not the correct explanation of A.
- c. A is not correct while R is correct
- d. Both A and R are not correct.

7. Statement I The absolute value of the difference between an unbiased estimate and the corresponding population parameter is called sampling error.

Statement II. Multi stage sampling is a restricted non-probability sampling technique.

Codes:

- a. both statements are correct
- b. both statements are incorrect
- c. statement I is correct while statement II is incorrect.
- d. Statement I is incorrect while statement II is correct

8. Process of arranging data into a new order is called

- a. manipulation of data
- b. standardization of data
- c. sequencing of data
- d. standardized input

DECEMBER 2015

9. Assertion A reasonably large sized sample drawn randomly from a given population contains almost all the features of the population.

Reason As per the sampling theory, the assertion is based only on the law of inertia of large numbers

Codes

- a. A is true and R as per the sampling theory is also fully true
- b. A is true but the R as per the sampling theory is not fully true
- c. both A and R are false
- d. A is false but the R is sufficient as per the sampling theory.

JUNE 2015

10. if the population is heterogeneous which one of the following probability sampling methods is more appropriate?

- a. sequential sampling
- b. quota sampling
- c. double sampling
- d. stratified sampling

11. The process of thoroughly checking the collected data to ensure optimal quality level is referred to as

- a. validation
- b. editing
- c. classification
- d. entry

DECEMBER 2014

12. to show the trend for a variable, which one of the presentation method is used?

- a. Histogram
- b. frequency polygen
- c. line graph
- d. scatter graph

13. which one of the following objectves is not the objective of secondary data collection?

- a. identify the problem
- b. test the hypothesis of the relevant present problem
- c. better define the problem
- c. interpret primary data more insightfully

DECEMBER 2013

14. The law of statistics, which says Moderately large number of items chosen at random from a large group possess the feature of the large group, is referred as

- a. the central limit theorem
- b. the law of statistical regularity
- c. the law of inertia of large numbers
- d. none of the above

JUNE 2013

15. the difference between sample statictic and its corresponding population parameter is

- a. sampling error
- b. measurement error
- c. coverage error
- d. non-response errot

DECEMBER 2012

16. sample design involves the following

- 1. sampling unit
- 2. Size of sample
- 3. type of universe
- 4. Source list
- 5. Sampling procedure

Which one of the following sequence is correct?

- a. 1 2 3 4 5
- b. 3 4 1 2 5
- c. 3 1 4 2 5
- d. 3 5 1 4 2

17. Sturge's rule is used to find out directly

- a. number of classes in a continuous distribution
- b. size of class limits

- c. direction of the classification
- d. none of the above

18. sampling distribution of mean is very close to the standard normal distribution when

- a. population is normally distributed
- b. population is not normally distributed but sample size is large
- c. both a and b
- d. neither a nor b

JUNE 2012

19. Which of the following is not a restricted random sampling technique?

- a. stratified sampling
- b. simple random sampling
- c. systematic sampling
- d. multi stage sampling

20. classification of respondents only on the basis of gender is an application of

- a. ordinal scale
- b. nominal scale
- c. interval scale
- d. ratio scale

21. Which of the following is the non-random method of selecting sampling from a population?

- a. stratified sampling
- b. quota sampling
- c. systematic sampling
- d. cluster sampling

ANSWER KEYS

1=B	2=B	3=C	4=C	5=A	6=B	7=A	8=C	9=A	10=D
11=B	12=C	13=D	14=C	15=A	16=C	17=A	18=A	19=B	20=A
21=A									

PRACTICE SETS

DIRECTIONS (Q. No 1-21) In the questions given below are two statements labelled as Assertion A and Reason. In the context of the two statements which one of the following is correct?

- a. both A and R are true
- b. A is true but R is false
- c. R is true but A is false
- d. both A and R are false

1. Assertion The parameters of the normal distribution are the mean and variance of the distribution.

Reason The mean defines where the peak of the curve and the variance defines the spread of the curve.

2. Assertion Normal distribution is a symmetric distribution.

Reason The maximum ordinate divides the graph of normal curve into two equal parts.

3. Assertion In a two tailed test there are two rejection region.

Reason A two tailed test rejects the null hypothesis if the sample mean is either more or less than the hypothesized value of the mean of the population.

4. Assertion The procedure on which the basis of sample results enables to decide whether a hypothesis is to be accepted or rejected is called hypothesis testing.

Reason Hypothesis testing cannot prove the hypothesis to be correct.

5. Assertion Sampling theory for large samples is not applicable in small sample.

Reason When samples are small we cannot assume that the random sampling distribution is approximately normal or that the sample values are approximately equation to those of parent universe.

6. Assertion The critical region is a set of values for testing statistic, for which the null hypothesis is rejected in a hypothesis test.

Reason Critical region corresponds to the range of values of the statistic, which according to the test requires the hypothesis to be rejected.

7. Assertion Type I error are generally considered to be more serious than type I error.

Reason Type I error are implies rejection of null hypothesis, when it is true

This implies rejection of null hypothesis, which should have been accepted.

8. Assertion ANOVA is an analysis tool used in statistics that splits the aggregate variability found inside a data set.

Reason The systematic factor have a statistical influence an the given data set, but the random factors do not.

9. Assertion Kruskal Wallis H-test is an omnibus test statistics and cannot tell you specific group of independent variable is present.

Reason As sample size increases Kruskal Wallis test tends to Z-distribution.

10. Assertion There is independence in the observation, that is no relationship between observation under each group of data under Z-test.

Reason Kruskal wallis H test is normally distributed with dependent variable.

11. Assertion Under poisson distribution, number of trials are infinitely small.

Reason Success under each trial is also infinitely large under poisson distribution.

12. Assertion Under poisson distribution, number of trials are infinitely small.

Reason Success under each trial is also infinitely large under poisson distribution.

13. Assertion Correlation research design is used to examine a relationship between two variables.

Reason The interrelation is based on cause and effect relationship.

14. Assertion Cultural research provides methodology that allows a consistent analysis of cultural texts.

Reason Cultural research takes place in the undistributed natural setting of the subjects environment

15.. Assertion Historical design aims at a systematic and objective evaluation and synthesis of evidence.

Reason Historical design need not to be authenticated as the data obtained is truly original.

16. Assertion Normal distribution curve is a bell shaped curve where mean, median and mode are equal to each other.

Reason As the sample size increases, all small-samples tests tend to merge with normal distribution.

Codes

- a. A is true R is false b. A is false R is true
c. Both are true d. both are false

17. Assertion Parametric test are applied initially.

Reason Non-parametric test are much less cumbersome to use easy to compute.

Codes

- a. both A and R are correct
b. both A and R are true but R is the correct explanation of A
c. A is true but R is false
d. A is false but R is true.

18. Match the following

List-I	List-II
a. contingency table	1. A statistical test in which the null hypothesis is true and the test statistics has F distribution
b. non-parametric statistics	2. do not depend on the shape of the distribution of the population
c. parametric statistics	3. number and nature of parameters are fixed in advance.
d. F-test	4. used to record and analyses the relationship between two variables or more variables basically categorical variables.

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 1 | 2 | 3 | 4 |
| b. | 4 | 2 | 3 | 1 |
| c. | 2 | 3 | 4 | 1 |
| d. | 3 | 1 | 2 | 4 |

19. Match the following

List-I	List-II
a. unimodal	1. the distribution that can take a limited number of values which can be listed
b. discrete probability distribution	2. the curve has a single peak
c. continuous probability distribution	Where variable allowed to take any value within given range

Codes

	A	B	C
a.	2	1	3
b.	1	2	3
c.	3	2	1
d.	2	3	1

20. Match the following:

List-I	List-II
a. $\beta 1$	1. $\beta 2 - 3$
b. $\beta 2$	2. $\mu \frac{2}{3} \mu \frac{3}{2}$
c. $\lambda 1$	3. $\mu^4 / \mu^{2/2}$
d. $\lambda 2$	4. $\sqrt{\beta 1}$

Codes

	A	B	C	D
a.	2	3	4	1
b.	3	2	1	4
c.	1	2	3	4
d.	2	3	4	1

21. Match the following

List-I	List-II
a. research type	1. proble solving
b. research design	2. feminist
c. research method	3. survey

Codes

	A	B	C
a.	1	2	3
b.	3	2	1
c.	1	3	2
d.	2	1	3

ANSWER KEYS

1=A	2=A	3=B	4=A	5=A	6=A	7=A	8=A	9=B	10=D
11=A	12=C	13=A	14=B	15=B	16=A	17=A	18=B	19=A	20=D
21=C									

Practice sets

1. Choose the correct code for the following statements being correct or incorrect

Statement I If the value of β_2 i.e μ_4/δ_4 , of a distribution gives the value more than 3, its curve is platykurtic.

Statement II In a moderately asymmetrical distribution, the standard deviation is 1.25 times of mean deviation.

Codes

- both the statements are correct
 - both the statements are incorrect
 - statement I is correct but statement II is incorrect
 - statement II is correct but statement I is incorrect
2. Which one of the following is not the correct property of normal distribution?
- continuous distribution
 - equality of central values (mean, mode and median)
 - standard deviation is the sole parameter of the distribution
 - the model distribution
3. for a standard normal probability distribution, the mean and the standard deviation are
- $\mu = 0, \delta = 1$
 - $\mu = 16, \delta = 4$
 - $\mu = 25, \delta = 5$
 - $\mu = 100, \delta = 10$
4. match the items of list-II with the items of list I and select the code of correct matching.

List-I	List-II
a. standard error of mean	1. $H_a : \mu_1$ is not equal μ_2
b. base of point estimate of the mean of the population	2. values based on all the observations of the population.
c. non specific hypothesis	3. mean of the sampling distribution of mean
d. parameter value of descriptive statistics	4. standard deviation of the sampling distribution of mean

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 4 | 3 | 1 | 2 |
| b. | 1 | 2 | 3 | 4 |
| c. | 4 | 3 | 2 | 1 |
| d. | 3 | 4 | 1 | 2 |

5. Match the items of List II with the items of list I and select the code of correct matching.

List-I	List-II
a. Chi square test	1. testing the significance of the differences of the mean values among more than two sample groups
b. ANOVA (F-test)	2. Testing the goodness of fit of a distribution.

c. Z-test	3. testing the significance of the difference of the mean values between two large sized samples.
d. T-test	4. Testing the significance of the difference of the mean values between two small sized samples when population standard deviation is not available

Codes

	A	B	C	D
a.	1	2	3	4
b.	4	3	2	1
c.	1	2	4	3
d.	2	1	3	4

6. which one of the following is not the feature of normal distribution?

- a. bell shaped and symmetric
- b. mean, median and mode of the distribution are equal
- c. the total area under the curve for the normal probability distribution is one
- d. the two tails of the distribution in both the directions touches the horizontal axis

7. In which one of the followingsituation is the application of T-test is most appropriate?

- a. testing the significance of coefficient of correlation between paired observations of small sized sample.
- b. testing the significance of coefficient of correlation between paired observations of large sized sample
- c. comparing variances of two small sized samples
- d. testing the significance of the difference among mean values of more than two samples groups

8. Statement I If the alternative hypothesis is as $H_a: \mu \neq \mu_0$; a researcher requires two tailed test in hypothesis testing.

Statement II The mean of the sampling distribution of mean is not equal to the parametric value of mean.

Codes:

- a. both the statements are true
- b. both the statements are false
- c. statement I is true while statement II is false
- d. statement I is false while statement II is true

9. the application of χ^2 test as parametric test will be in which of the following situatons?

- a. test of independence of attributes
- b. test of goodness of fit of a specific type of distribution.

- c. test for population variance on the basis of small sized sample variance
- d. test of homogeneity of several populations with respect of some features of interest
10. match the following items of List-I and List II with regard to hypothesis testing

List-I	List-II
a. the ability of test to reject the null hypothesis when it is false	1. level of significance
b. the probability of accepting a false null hypothesis	2. type I error
c. The probability of rejecting a true null hypothesis due to sampling error	3. type II error
d. the probability of rejecting a true null hypothesis	4. power of a test

Codes

	A	B	C	D
a.	4	2	1	3
b.	4	3	1	2
c.	1	2	3	4
d.	2	3	1	4

11. which one of the following statement is false regarding normal distribution

- a. mean, median and mode always coincide.
- b. within $\pm 1.96 \sigma$ limits from mean value, the area under the distribution is 99% of the total area.
- c. the area under the normal curve represents probabilities for the normal random variable and the total area for the normal probability distribution is one
- d. for every pair of values of mean and standard deviation, the curve of the distribution is bell shaped and symmetric

12. a researcher wants to test the significance of the difference between the average performance of the two small sized samples when the information on the population standard deviation is not available, which one of the following hypothesis testing is suitably used?

- a. z test b. chi-square test c. f-test d. t-test

13. Read the following statement and indicate the correct codes from the alternative given below.

Statement I When the null hypothesis is true but as per the hypothesis testing, it is rejected it is known as beta type error in hypothesis testing.

Statement II Chi square test is exclusively a non-parametric test.

Codes

- a. both the statements are true
- b. both the statements are false
- c. statements I is true while statement II is false

d. statement I is false while statement II is true.

14. read the following statements and choose the correct code

Statement I Non parametric tests are based on some assumptions about the parent population from which the sample has been drawn

Statement II The standard deviation of the sampling distribution of mean is called standard error of mean.

Codes

- a. both the statements are correct
- b. both the statements are incorrect
- c. statement I is correct while statement II is incorrect
- d. statement I is incorrect while statement II is correct

15. Which one of the following is not the feature of normal distribution?

- a. mean, median and mode for the normal distribution are equal
- b. the two tails of the normal curve extend to infinity in both directions but never touch the horizontal axis
- c. for different values of standard deviation, the height of the mean ordinate remain the same
- d. the number of independent constraints of normal distribution are $N - 1$ and δ .

16. Match the items of List I with the items of List II and indicate the code of correct matching.

List-I	List-II
a. contingency coefficient for any size of contingency table	1. $\sqrt{\frac{N-n}{N-1}}$
b. statistical approach to decide size of a sample	2. $\frac{\sigma_p}{\sqrt{n}}$
c. finite population multiplier	3. $\sqrt{\frac{x^2}{x^2+n}}$
d. standard error of mean	4. $\frac{z^2 \cdot \sigma^2 p}{e^2}$

Codes

- | | A | B | C | D |
|----|---|---|---|---|
| a. | 1 | 2 | 3 | 4 |
| b. | 3 | 4 | 1 | 2 |
| c. | 1 | 3 | 2 | 4 |
| d. | 3 | 2 | 4 | 1 |

17. Identify which of the following steps would be included in hypothesis testing.

- 1. state the null and alternative hypothesis.
- 2. set the significance level before the research study.
- 3. eliminate all outliers.
- 4. obtain the probability value using a computer programme such as SPSS.

5. compare the probability value to the significance level and make the statistical decision.

Select the correct answer using the codes given below.

Codes

- a. 1 3 4 b. 3 4 5 c. 1 2 4 5 d. 2 3 4 5

18. Statement I When a null hypothesis gets rejected in statistical hypothesis testing, it is known as II type error in hypothesis testing.

Statement II When a sample is small sized and parametric value of the standard deviation is not known, Z-test is the most appropriate test for hypothesis testing.

Codes

- a. both statements are true
b. both statements are false
c. statements I is true while statements II is false
d. statement I is false while statement II is true

19. the power of the statistical hypothesis testing is denoted by

- a. α (alpha) b. β (beta) c. $1-\alpha$ d. $1-\beta$

20. question 20 erased

21. which of the following relating to normal distribution are not correct?

1. coefficient of skewness is three

2. it is mesokurtic

3. mean deviation for it is $\frac{2}{3}\delta$

4. $\mu \pm \delta$ covers 95.45% area.

5. mean median and mode are equal

6. the standard normal variate z has mean one and SD zero

Select the correct answer using the codes given below

- a. 1 3 6 b. 3 4 5 c. 1 3 5 d. 1 3 4

22. Under which of the following situations, chi-square test is applicable?

1. testing homogeneity

2. testing goodness of fit

3. testing equality of two sample means

4. testing equality of two sample proportions

5. testing independent of attributes

Select the correct answer using the codes given below

Codes

- a. 1 2 3 b. 1 2 5 c. 3 4 5 d. 1 3 5

23. Which one of the following is not the correct statement regarding sampling distribution of mean?

- a. sampling distribuyion of mean is normally distributed for large sized samples.
b. sampling distribution of mean is normally distributed for small sized samples drawn from not normally distributed population
c. T distribution is not normally distributed
d. Mean of the sampling distribution of mean is equal to the parametric value of mean

24. consider the following statement and identify the wrong statements.

Statement I Accepting null hypothesis, when it is false is called a level of significance.

Statement II $1 - \alpha$ is called power of a test.

Statement III Critical value of Z – static for two tailed test at 5% level of significance is 1.96.

Codes

- a. statements I, II and III b. statements I and III
c. statements II and III d. statements I and II

25. In univariate data analysis , T test is used when the data are in the form of

- a. metric data with one sample
b. non-metric data
c. non-metric data with independent variable
d. metric data with independent two samples

26. In the hypothesis testing procedure, a researcher may commit type II error in which of the following conditions?

- a. when the true null hypothesis is rejected
b. when the alternative hypothesis is accepted
c. when the false null hypothesis is accepted
d. when the true null hypothesis is accepted

27. Which one of the following options deals with the process of making estimates, predictions and decisions?

- a. descriptive statistics b. inferential statistocs
c. probability theory d. none of these

28. A hypothesis test is being performed for a process in which a type I error will be very costly but a type II error will be relatively inexpensive and unimportant. Which of the following would be the best choice for alpha in this test?

- a. 0.10 b. 0.05 c. 0.01 d. 0.50

29. Match the following

List-I	List-II
a. fisher	1. inverse probability
b. karl pearson	2. normal distribution
c. Thomas bayes	3. correlation coefficient
d. karl gaus	4. index number

Codes

	A	B	C	D
a.	4	3	2	1
b.	4	3	1	2
c.	4	2	3	1
d.	4	2	1	3

30. if a chi-square test is to be performed on a contingency table with 3 rows and 4 columns, how many degrees of freedom should be used

- a. 6 b. 12 c. 8 d. 9

ANSWER KEYS

1=D	2=C	3=A	4=A	5=D	6=D	7=A	8=C	9=C	10=B
11=B	12=D	13=B	14=D	15=C	16=B	17=C	18=B	19=D	20=D
21=C	22=B	23=B	24=D	25=D	26=C	27=B	28=C	29=B	30=A

UNIT-7

BUSINESS MANAGEMENT

1. Behaviorally Anchored Rating Scales (BARS) is a sophisticated performance rating method. Which of the following is not true with regard to BARS?

- (a) BARS minimizes subjective interpretation inherent in graphic rating scales
- (b) BARS make use of 'anchors' (common reference points of performance)
- (c) BARS concentrates on job-specific behaviors and hence is highly meaningful
- (d) BARS is a simple and cost-effective rating method
- (e) BARS can be applied in organizations where a large number of people perform similar jobs.

2. Which of the following is not true with regard to functional authority?

- (a) Functional authority is the authority staff members have over line members within the limits of their functions
- (b) Functional authority has the same effect as line authority but it doesn't have the right that line authority has, to punish violations or deviations in order to ensure compliance
- (c) Functional authority is limited to those areas where a staff member has some technical competence
- (d) The use of functional authority should be restricted to the procedural aspects of a function
- (e) Functional authority is in sync with the principle of unity of command.

3. Creativity is an important factor in managing people. Which of the following is not true with regard to the creative process?

- (a) Creativity is the ability to develop new ideas
- (b) The creative process starts with unconscious scanning
- (c) Intuition connects the unconscious with the conscious
- (d) Insight leads to intuition
- (e) Insight is tested against organizational reality.

4. According to "expectancy theory", the probability of an individual acting in a particular way depends on

- I. The personality of the individual and the likelihood it will change.
- II. The company and its potential to be moving in the right direction.
- III. The situation.
- IV. The strength of that individual's belief that the act will have a particular outcome and on whether the individual values that outcome.

- (a) Only (I) above
- (b) Only (IV) above

- (c) Both (I) and (III) above (d) Both (II) and (IV) above
(e) (I), (III) and (IV) above.

5. Which of the following techniques for improving productivity aims at reducing costs by analyzing and improving individual operations of a product or service?

- (a) Work simplification (b) Time-event network (c) Value engineering
(d) Total Quality Management (e) Quality Circle.

6. Span of control an important factor, which is to be taken into account when undertaking organizational design. Maintaining a large span of control within an organization is most effective in all except one of the following situations?

- (a) When subordinates prefer autonomy
(b) When tasks are routine
(c) When jobs are similar but have varying performance measures
(d) When subordinates are highly trained
(e) When managers are competent.

7. Functional job analysis is a widely used systematic job analysis approach. Which of the following dimensions of an individual's job does functional job analysis focus on?

- I. Data, people and jobs pertaining to the individual's job.
II. Interpersonal relationships required to perform the job.
III. Tools and equipment used by the worker.
IV. Products and services produced by the worker.

- (a) Only (I) above (b) Only (III) above
(c) Both (II) and (IV) above (d) (I), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

8. Organizational culture is the collection of shared values, beliefs, rituals, stories, myths and specialized language that foster a feeling of community among organization members. Which of the following is not a characteristic of organization culture?

- (a) It differentiates one organization from another
(b) It defines the internal environment of an organization
(c) It ensures consistency in the behavior of organization members
(d) It remains absolutely stable throughout the life of an organization
(e) It is perceived by the organization members as well as by outsiders.

9. Management By Objectives (MBO) is a system for achieving organizational objectives, enhancement of employee commitment and participation. Which of the following is not an advantage of MBO?

- (a) Role clarity (b) Clarity in organizational action
(c) Personnel satisfaction (d) Basis for organizational change
(e) Flexibility.

10. Which of the following are the characteristics of the planning process usually adopted in Japanese Management style?

- I. Long-term orientation.
II. Individual decision-making.
III. Decisions flowing from bottom to top and back.
IV. Slow decision-making.

- (a) Both (I) and (II) above (b) Both (I) and (III) above
(c) Both (II) and IV) above (d) (I), (III) and (IV) above
(e) (II), (III) and (IV) above.

Answers

Answer : (d)

Reason: BARS minimizes subjective interpretation inherent in **graphic rating scales**. They make use of 'anchors' (**common reference points of performance**) and they concentrate on job-specific behaviors and hence are highly meaningful. However, BARS are time-consuming and costly to develop, as they should cover each dimension of all jobs in the department. As a result, **BARS** tend to be used in situations in which relatively large numbers of individuals perform similar jobs.

Answer : (e)

Reason: The authority to control other departments, related to specific tasks, is known as **functional authority**. It is defined as the formal **authority staff members** have over **line members** within the limits of their functions. It has the same effect as line **authority** but it does not have the right that line authority has, to punish violations or deviations in order to ensure compliance. **Functional authority** is limited to those areas where a staff person has some technical competence. The use of functional authority should be restricted to the procedural aspects of a function. But functional authority violates the principle of unity of command since authority over specific functional activities is exercised not only by line managers but also by **staff managers**.

Answer : (d)

Reason: Creativity is the ability to develop new ideas. The creative process comprises **four phases: unconscious scanning, intuition, insight, and logical formulation**. **Intuition** connects the unconscious with the **conscious**, and leads to insight. In the final phase of the **creative process**, insight is tested against **organizational** reality.

Answer : (b)

Reason: According to "**expectancy theory**", the probability of an individual acting in a particular way depends on the strength of that individual's belief that the act will have a particular outcome and on whether the individual values that outcome. Hence option (b) is the correct answer.

Answer : (c)

Reason: Value engineering involves analyzing the operations of the products or service, estimating the value of each operation, and modifying that operation so that the cost is lowered.

(a) Work simplification involves teaching workers the concepts of time and motion studies, layout of work situations, and workflow analysis in order to improve work methods.

(b) Time-event network is a logical extension of the Gantt chart and uses Critical Path Method to help in planning and controlling operations.

(d) Total Quality Management (TQM) calls for active participation of all the members at all levels of the organization in order to ensure its (the organization's) long-term commitment to improvement of quality.

(e) A quality circle is a group of people who belong to an organizational area and who meet regularly to solve the problems they face at work.

6. Answer : (c)

Reason : Maintaining a large span of control within an organization is most effective in all situations except when jobs are similar but have varying performance measures.

7. Answer: (d)

Reason: Functional Job Analysis focuses on the following dimensions of an individual job:

I. **Data, people and jobs pertaining to the individual's job.**

III. **Tools and equipment used by the worker.**

IV. **Products and services produced by the worker.**

Hence, from above discussion, we can infer that option (d) is correct.

8. Answer : (d)

Reason: **Organization culture** is the collection of shared values, beliefs, rituals, stories, myths, and specialized language that foster a feeling of community among organization members. Organizational culture is distinctive and it differentiates one organization from another. It is based on certain norms, which define the internal environment of an organization. When the members of an organization interact with each other, they use a common language, and follow the same norms and hence organizational culture ensures consistency in their behavior. It is perceived by the members of the organization as well as by outsiders. Though organizational culture is fairly stable, it keeps evolving from time to time.

9. Answer : (e)

Reason: **MBO** helps in better managing the organizational resources and activities through clarity of objectives, role clarity, periodic feedback on performance, and participation by managers. It provides the key result areas (KRAs) where organizational efforts are needed, which leads to clarity in organizational action. Since **MBO** allows participation of employees in objective setting and a rational performance appraisal, it provides the greatest opportunity for personnel satisfaction. Also, MBO stimulates organizational change and provides a framework and guidelines for planned change, enabling the top management to initiate, plan, direct, and control the direction and speed of change. However, **MBO** has some limitations also, which include inflexibility in the organization, particularly when the objectives need to be changed.

10. Answer: (d)

Reason: The characteristics of the planning process usually adopted in Japanese Management style are: (1) Long-term orientation, (2) Collective decision-making, (3) Decisions flowing bottom to top and back, (4) Slow decision-making. Hence, (d) is the correct answer.

11. Information that originates outside the organization is known as external information. Which of the following is/are example(s) of external information in an organization?

- (a) Daily receipts and expenditures
- (b) Salesperson Quotas
- (c) Descriptions of customer satisfaction with products and services
- (d) Quantity of an item in hand or in inventory
- (e) Cost and selling price of the company's item.

12. Which of the following decision-making models emphasizes short-run solution of a problem rather than long-term goal accomplishment?

- (a) Rational model
- (b) Satisficing model
- (c) Incremental model
- (d) Garbage-can model
- (e) Decision tree.

13. Sofia works in one of seven research and development departments at General Automobile Corporation. This would suggest that General Automobiles has a

- (a) Functional structure
- (b) Divisional structure
- (c) Flat structure
- (d) High degree of centralization
- (e) Tall structure.

14. Which of the following information processing systems gives the output in the form of summary and exception reports that are useful to the managers?

- (a) Decision support system
- (b) Management information system
- (c) Office automation system
- (d) Transaction processing system
- (e) Executive support system.

15. In which of Likert's four systems of leadership, managers do not have complete confidence and trust in subordinates but nevertheless, solicit advice from subordinates while retaining the right to make final decision?

- (a) Participative leadership style
- (b) Benevolent-authoritative leadership style
- (c) Consultative leadership style
- (d) Exploitative-authoritative leadership style
- (e) Trait theory of leadership style.

16. Performance appraisals are important in an organization because they

- I. Provide systematic judgments to support promotions.

- II. Provide a basis for coaching.
- III. Provide a basis for counseling.
- IV. Let subordinates know where they stand with the boss.

- (a) Only (I) above
- (b) Only (II) above
- (c) Both (I) and (IV) above
- (d) (I), (III) and (IV) above
- (e) All (I), (II), (III) and (IV) above.

17. Ratio analysis helps a manager to compare the performance of the organization with its previous performance or the performance of its competitors. Which of the following is a ratio of creditors' contribution to that of the owners?

- (a) Current ratio
- (b) Debt-equity ratio
- (c) Return on investment (ROI)
- (d) Net profit margin
- (e) Inventory turnover.

18. Which of the following inventory techniques uses cards to monitor inventory movement?

- (a) ABC Analysis
- (b) JIT Approach
- (c) Kanban
- (d) Kaizen
- (e) Economic Order Quantity.

19. A decision support system (DSS) is an interactive computer system used to plan and make decisions. Which of the following is/are true with regard to Decision Support System (DSS)?

- I. Executive decisions are the focal points in DSS.
- II. DSS specializes in easy-to-use software.
- III. DSS employs interactive processing.
- IV. The control and use of DSS rests with the central information management department.

- (a) Only (I) above
- (b) Both (I) and (II) above
- (c) Both (III) and (IV) above
- (d) (I), (II) and (III) above
- (e) (II), (III) and (IV) above.

20. Which of the following is/are postulates of the path – goal theory?

- I. The leader clearly defines the path to goal attainment for subordinates.
- II. The leader motivates subordinates to participate in decision-making.
- III. The leader sets clear and specific goals for subordinates.
- IV. The leader suitably rewards employees as per their performance.

- (a) Only (II) above
- (b) Only (IV) above
- (c) Both (II) and (IV) above
- (d) (I), (II) and (IV) above

(e) All (I), (II), (III) and (IV) above.

Answers

11. Answer : (c)

Reason: Descriptions of customer satisfaction with products and services are examples of external information in an organization. Hence from above discussion, we can infer that option (c) is correct. **Options (a), (b), (d) and (e) are all examples of internal information in an organization.**

12. Answer : (c)

Reason: **Incremental model emphasizes** short-run solution of a problem rather than long-term goal accomplishment. **(a) Rational model** is a model of managerial decision-making, which suggests that managers engage in completely rational decision process, ultimately make optimal decisions and process, and understand all information relevant to their decisions at the time they make them. **(b) Satisficing model describe** the way modern managers must, of necessity, make decisions with incomplete information by choosing from among the few most likely alternatives. **(d) Garbage can model** is a non-rational model of management decision-making stating that managers behave in virtually a random pattern in making non-programmed decisions. **(e) Decision tree** is a quantitative decision-making tool based on a graphic model that displays the structure of a sequence of alternative courses of action and usually shows the payoff associated with various paths and the probabilities associated with future conditions.

13. Answer : (b)

Reason: Sofia works in one of seven research and development departments at General Automobile Corporation and this suggests that General Automobile has a divisional structure. i.e. to say divisional structure is a type of departmentation in which positions are grouped according to similarity of products, services or markets. **(a) Functional structure** is a type of departmentation in which positions are grouped according to their main functional or specialized area. (c) Flat structure is a structure that has few hierarchical levels and wide spans of control. **(d) High degree** of centralization is the tendency to restrict delegation of decision-making in an organization structure, usually by holding authority at or near the top of the organization structure. **(e) Tall structure** is a structure that has many hierarchical levels and narrow spans of control.

14. Answer : (b)

Reason: **MIS (Management Information System)** gives the output in the form of summary and exception reports that are useful to the manager.

15. Answer : (c)

Reason: When managers have substantial but not complete confidence and trust in subordinates and solicit advice from subordinates while retaining the right to make final decision, **Likert's four systems of management describes it as consultative leadership style.** **(a) In Participative leadership style** the manager has complete trust and confidence in the subordinates in all the matters. **(b) In Benevolent leadership style the managers** have a patronizing confidence and trust in subordinates, solicit some ideas and opinions from subordinates, motivate with rewards and some fear and punishment, permit some upward communication and allow some delegation of decision-making but with close policy control. **(d) In exploitative-authoritative leadership style** the managers represents doctoral leadership behavior with all decisions made by the manager. **(e) Trait theory of leadership style** assumes that leaders share certain inborn personality traits.

16. Answer : (e)

Reason: Performance appraisals are important in an organization because they provide systematic judgements to support promotions; provide a basis for coaching; provide a basis for counseling; and let subordinates know where they stand with the boss.

17. Answer : (b)

Reason: **Debt-equity ratio** indicates what percentage of the organization's assets creditors furnish. (a) **Current ratio is the ratio of current assets to current liabilities.** (c) **Return on investment (ROI) is the ratio of net income to total assets.** (d) **Net profit margin is the ratio of net income to net sales.** (e) **Inventory turnover is the ratio of cost of goods sold to inventory.**

18. Answer : (c)

Reason: **Kanban** is a subsystem of the JIT approach involving a simple parts movement system that depends on cards and containers to pull parts from one work center to another. (a) **ABC analysis** is a technique of inventory management, in which the inventory is distributed based on price & usage of the inventory. (b) **A JIT is an approach** to inventory control that emphasizes having materials arrive just as they are needed in the production process. (d) **Kaizen** is a Japanese term implying continuous improvement. (e) **EOQ is** an inventory control method developed to minimize ordering plus holding costs, while avoiding stock out costs.

19. Answer : (d)

Reason: The following are the characteristics of DSS:

Executive decisions are the focal points in DSS.

DSS specializes in easy-to-use software

DSS employs interactive processing.

(1V) The control and use of DSS rests with the users and not the central information management department

Statement given in (IV) is incorrect; hence option (d) is the correct answer.

20. Answer : (e)

Reason: According to **Path-Goal theory**, the leader clearly defines the path to goal attainment for subordinates, when leader motivates subordinates to participate in decision-making and sets clear and specific goals to the organization and a leader should suitably reward employees as per their performance. So, all the statements mentioned are true for path-goal theory.

21. In the past three to four decades, many management theorists, and writers have made remarkable contribution in the study of management. By studying the various approaches to management analysis, we can understand the concept of management and have a better understanding of managerial functions. Which approach to management emphasizes managing people by understanding their individual psychological needs?

(a) Empirical Approach

(b) Decision Theory Approach

(c) Management Science Approach

(d) Interpersonal Behavior Approach

(e) Contingency Approach.

22. The communication process is made up of various components. Which of the following is the actual physical product from the source?

(a) Feedback

(b) Filter

(c) Message

(d) Channel

(e) Understanding.

23. Which of the following would not be an accurate depiction of the differences between strategic and tactical planning?

- (a) Strategic planning is developed mainly by upper-level management and tactical planning is generally developed by lower-level management
- (b) Facts for strategic planning are generally easier to gather than facts for tactical planning
- (c) Strategic plans generally contain less details than tactical plans
- (d) Strategic plans generally cover a longer period of time than tactical plans
- (e) Managers who are engaged in the development of strategic plans tend to work in more uncertainty than those managers engaged in the development of tactical plans.

24. Which of the following statements concerning grapevine is not correct?

- (a) Grapevine is generally used irregularly in organizations
- (b) Grapevine can and often does generate harmful rumors
- (c) Grapevine is used largely to serve the self-interests of people within it
- (d) Some managers use grapevine to their advantage
- (e) In time, and with proper pressure, grapevine can be eliminated.

25. The conflict-resolution approach that corresponds with a high level of assertiveness and a low level of cooperativeness, is referred to as

- (a) Compromising
- (b) Collaborating
- (c) Forcing
- (d) Avoiding
- (e) Accommodating.

26. Mr. Sunil works for "Energy Engineering Works." Apart from the regular compensation, the company provides him with things such as tuition reimbursement, recreational opportunities etc. What is the name given to these things of value?

- (a) Incentives
- (b) Benefits
- (c) Rewards
- (d) Compensation
- (e) Social benefits.

27. The fact that 70-80 percent of a manager's time is taken up by his interactions with others, highlights the need for effective communication for successful management. Which of the following strategies is not likely to improve communication effectiveness?

- (a) Avoiding non-verbal cues
- (b) Using simple, unambiguous language
- (c) Using active listening techniques
- (d) Using appropriate and consistent nonverbal cues
- (e) Using the feedback loop in the communication process.

28. Two factor theory of motivation provides useful insights into the relationship between individual and situational or hygiene factors. Which of the following is a hygiene factor?

- (a) Achievement (b) Interpersonal relations (c) Recognition
(d) Challenging work (e) Increased responsibility.

29. Identify the sequence of different steps in controlling.

- I. Measurement of performance.
II. Comparison of actual and standard.
III. Analysis of causes of deviation.
IV. Actual performance.
V. Corrective action plan.

- (a) (III), (IV), (V), (I), (II) (b) (II), (III), (IV), (V), (I)
(c) (I), (II), (IV), (III), (V) (d) (IV), (I), (II), (III), (V)
(e) (V), (IV), (III), (II), (I).

30. JIT (Just-In-Time) inventory control is an approach to inventory control, which stipulates that materials should arrive just, as they are needed, in the production process. Which of the following would generally not be associated with a successful JIT program, for the purpose of inventory control?

- (a) Well-organized receiving and handling of materials purchased from suppliers
(b) Strong management commitment
(c) Suppliers located in diverse and distant locations
(d) High quality of materials purchased from suppliers
(e) Dependable and long-lasting relationships with suppliers and customers.

Answers

21. Answer : (d)

Reason: **Interpersonal Behavior Approach** to management emphasizes managing people by understanding their individual psychological needs. Hence, from above discussion, we can infer that option (d) is correct.

22. Answer: (c)

Reason: The communication process is made up of various components. The message is the actual physical product from the source encoding. Hence, from above discussion, we can infer that option (c) is correct.

23. Answer: (b)

Reason: **Strategic plan** is used to establish overall objectives for the organization and position the organization in terms of its environment. Facts for strategic planning are generally more difficult to gather than facts for tactical planning. Hence, from above discussion, we can infer that option (b) is correct.

24. Answer: (e)

Reason: Grapevine is an integral part of organizational communication and hence cannot be eliminated.

25. Answer: (c)

Reason: The conflict-resolution approach that corresponds with a high level of assertiveness and a low level of cooperativeness is referred to as Forcing. Hence, from above discussion, we can infer that option **(c) is correct**.

26. Answer : (b)

Reason: The term associated with things such as tuition reimbursement, recreational opportunities etc is benefits which is provided apart from the regular compensation. i.e. Benefits are forms of supplementary compensation. They represent monetary and non-monetary payments over and above the wages paid. (a) Incentives represent special compensation opportunities that are usually tied to performance. (c) Rewards are given in recognition of specific achievements whereas social benefits in the form of say club memberships are given to enhance the employee status. (d) Compensation is the financial remuneration given by the organization to its employers for their work.

27. Answer: (a)

Reason: Avoiding non-verbal cues is not likely to improve communication effectiveness. Rather, non-verbal cues are very important for effective communication as they often help in understanding the hidden feelings in people.

Hence, from above discussion, we can infer that option (a) is correct.

28. Answer: (b)

Reason: Interpersonal relationships can be considered as a hygiene factor under Two factor theory.

29. Answer : (d)

Reason: The steps in controlling are actual performance, measurement of performance, comparison of actual and standard. Analysis of courses of deviation and corrective action plan. (d) is correct answer.

30. Answer: (c)

Reason: A successful JIT program requires that suppliers be located in close proximity of the company, so that materials can arrive as and when needed.

Hence from above discussion, we can infer that option (c) would generally not be associated with a successful JIT program. Options (a), (b), (d) and (e) would all be associated with a successful JIT program.

31. Assigning workers additional tasks on the same level, which increases the number of tasks they have to do, is known as

(a) Job enrichment

(b) Job enlargement

(c) Job rotation

(d) Vertical job loading

(e) Job loading.

32. Performance appraisal methods must consider various aspects of a job. Which of the following types of appraisal implies evaluating an individual based on actual job performance?

- (a) Behavior-oriented
- (b) Results-oriented
- (c) Work-oriented
- (d) Skills-oriented
- (e) Knowledge-oriented.

33. There are various appraisal techniques used in an organization. A performance appraisal technique that makes use of feedback from supervisors, subordinates and co-workers, is known as

- (a) Work-oriented appraisal
- (b) 360-degree appraisal
- (c) Informal appraisal
- (d) Graphic Rating
- (e) Behaviorally Anchored Rating.

34. Managers vary in their assumptions about people working in an organization. Which of the following manager types would best describe an individual who believes that most people dislike work and will avoid it whenever possible?

- (a) Creative manager
- (b) Transformational manager
- (c) Theory Y manager
- (d) Theory X manager
- (e) Autocratic manager.

35. Which of the following theories proposes that the factors that help prevent dissatisfaction on the job do not necessarily lead to satisfaction?

- (a) Vroom's expectancy theory
- (b) Adam's equity theory
- (c) Herzberg's motivation-hygiene theory
- (d) McClelland's three-needs theory
- (e) Mc Gregor's theory X.

36. According to Kurt Lewin, a leader who allows his employees complete freedom to make decisions and to complete work in whatever way they think is best, is using which leadership style?

- (a) Democratic-participative
- (b) Laissez-faire
- (c) Autocratic
- (d) Democratic-consultative
- (e) Team management.

37. JIT (Just-In-Time) inventory control is an approach to inventory control that stresses on having materials arrive just when they are required in the production process. Which of the following does not apply to Just-In-Time (JIT) system?

- (a) Suppliers need to be located in close proximity
- (b) Organization must have ISO 9001 certification

- (c) Reliable transportation facilities should be available
- (d) Suppliers need to be capable of providing high quality materials
- (e) Long-term relationships should be maintained with the suppliers.

38. If a manager is evaluating the quality of the company's product by examining complaint forms submitted by customers, then he/she is using which of the following types of control?

- (a) Concurrent control
- (b) Feedback control
- (c) Preventive control
- (d) Yes-no control
- (e) Preliminary control.

39. Ratio is an index that measures one variable relative to another and is generally expressed as a percentage or a rate. The ratio that tests how leveraged an organisation is, may be referred to as

- (a) Current ratio
- (b) Return-on-investment
- (c) Debt ratio
- (d) Net profit margin
- (e) Inventory turnover ratio.

40. Which of the following is not upward communication?

- (a) Cost accounting report
- (b) Purchase order summary
- (c) Production report
- (d) Corporate policy statement
- (e) Sales report.

Answers

31. Answer: (b)

Reason: This is a job design approach that involves the allocation of a wider variety of similar tasks to a job in order to make it more challenging.

32. Answer: (b)

Reason: Results-oriented appraisal implies evaluating an individual based on actual job performance. Hence, option (b) is correct.

33. Answer: (b)

Reason: A performance appraisal technique that makes use of feedback from supervisors, subordinates and co-workers, is known as 360-degree appraisal. Hence, option (b) is correct.

34. Answer: (d)

Reason: **Mc Gregor's Theory X** manager assumes that individuals dislike work and will avoid it whenever possible. Hence, option (d) is correct.

35. Answer: (c)

Reason: Herzberg's motivation-hygiene theory proposes that the factors that help prevent dissatisfaction on the job do not necessarily lead to satisfaction.

36. Answer: (b)

Reason: According to **Kurt Lewin**, a laissez-faire leader allows his employees complete freedom to make decisions and to complete work in whatever way they think is best.

37. Answer: (b)

Reason: Having ISO 9001 certification is not a pre-requisite to adopt a Just-In-Time (JIT) system. Hence, option (b) is correct.

38. Answer: (b)

Reason: Feedback control is a control type based on timing that involves regulation exercised after a product or service has been completed, to ensure that they meet the standards necessary for the transformation process. Hence, option (b) is correct.

39. Answer: (c)

Reason: Debt ratio measures the percentage of total assets financed by debt (including current liabilities). So, it tests how leveraged an organisation is. Hence, option (c) is correct.

40. Answer: (d)

Reason: Except corporate policy statements, all the options given are examples of upward communication.

41. Non-programmed decisions are those that deal with unusual or exceptional problems. They are the decisions for which predetermined decision rules are impractical because the situations are novel and/or ill-structured. When managers behave in a random fashion in making non-programmed decisions, the manager's approach falls into which of the following decision-making models?

(a) Rational model

(b) Satisficing model

(c) Incremental model

(d) Brainstorming model

(e) Garbage-can model.

42. Based on the degree of certainty involved, every decision-making situation falls into one of the three categories: (i) certainty, (ii) risk and (iii) uncertainty. When predictability is lower, a condition of risk exists. Which of the following is a characteristic of decision-making under risk?

- (a) The decision-maker has complete information about available alternatives, and has a good idea of the probability of particular outcomes for each alternative
- (b) The decision-maker has complete information about available alternatives, but has no idea of the probability of particular outcomes for each alternative
- (c) The decision-maker has incomplete information about available alternatives, but has a good idea of the probability of particular outcomes for each alternative
- (d) Future environment is unpredictable and everything is in a state of flux
- (e) The decision-maker is not aware of all alternatives, the risks associated with each, or the consequences of each alternative, or their probabilities.

43. Major decisions in organizations are most often made by groups rather than a single individual. Group decision-making is the norm in most large and complex organizations. There are different group decision-making techniques. Two such techniques are Nominal Group technique and Delphi technique. The difference between the Nominal Group technique and the Delphi technique is

- (a) One is a verbal approach, one is written
- (b) One is a short term group, the other is long term
- (c) One is visual, the other is verbal
- (d) One is face-to-face, the other keeps group members anonymous
- (e) One consists of experts, the other does not.

44. Open systems can accomplish their tasks and meet their objectives through different courses of action. Open systems do not need a single 'best' method to achieve their objectives and accomplish their goals. Which of the following terms implies this concept of reaching the same result by different means?

- (a) Differentiation
- (b) Equifinality
- (c) Dynamic Homeostasis
- (d) Cost Leadership
- (e) Entropy.

45. Divisional structure is a type of departmentation in which positions are grouped according to similarity of products, services or markets. Which of the following is not an advantage of Divisional Structure?

- (a) Each unit or division can respond or react quickly, when required, because they normally do not need to coordinate with other divisions before taking an action
- (b) Coordination is simplified as each division is similar to an organization, containing the various functions within it
- (c) Individuals are able to develop in-depth areas of specialization to the same extent as in a functional structure
- (d) It helps the organization to focus on serving a particular customer
- (e) It helps to fix responsibility and accountability for performance.

46. Hari is the only person who completely understands the new computer network in the office area. Whenever anyone has questions, he/she goes to Hari. Hari possesses _____ power.

- (a) Coercive
- (b) Reward
- (c) Expert
- (d) Referent
- (e) Legitimate.

47. Centralization is the systematic and consistent reservation of authority at central points within an organization. Which of the following characteristics makes centralization more appropriate?

- (a) The environment is complex and uncertain
- (b) Decisions are relatively minor
- (c) Lower level managers are capable and experienced decision-makers
- (d) The company is geographically dispersed
- (e) Lower level managers are reluctant to be involved in decision-making.

48. When managers delegate authority, they must allocate commensurate

- (a) Responsibility
- (b) Power
- (c) Money
- (d) Influence
- (e) Respect.

49. Managers need fewer formal rules and regulations in an organization, which has one of the following characteristics

- (a) Weak culture
- (b) Strong culture
- (c) Tall structure
- (d) Culture never impacts structure
- (e) Flat structure.

50. A person who had applied for the post of a service representative, is asked to handle a simulated situation involving a complaining customer, by the company. Which of the following selection devices is being made use of?

- (a) Application Blank
- (b) Intelligence Test
- (c) Personality Test
- (d) Work Sampling Test
- (e) Knowledge Test.

Answers

41. Answer: (e)

Reason: The Garbage-can approach to decision-making holds that managers behave in a random fashion in making non-programmed decisions. That is, decisions occur by chance and depend on such factors as the participants who happen to be involved in decision-making, the problems about which they happen to be concerned at the moment. Hence, option (e) is the correct answer.

42. Answer: (c)

Reason: The characteristic of decision-making under risk is that the decision-maker has incomplete information about available alternatives, but has a good idea of the probability of particular outcomes for each alternative. Hence, option (c) is correct.

43. Answer: (d)

Reason: The preference or utility theory is based on the belief that individual attitudes toward risk vary with events, with people and positions.

44. Answer: (b)

Reason: Equifinality implies reaching the same result by different means. Hence, option (b) is correct.

45. Answer: (c)

Reason: Divisional Structure is a type of departmentation in which positions are grouped according to similarity of products, services or markets. Individuals are unable to develop in-depth areas of specialization to the same extent as in a functional structure. Hence, option (c) is not an advantage of divisional structure. Options (a), (b), (d) and (e) all are advantages of the divisional structure.

46. Answer: (c)

Reason: In the given example, Hari possesses expert power since he possesses expert knowledge in the specified functional area.

47. Answer: (e)

Reason: Centralization refers to the degree to which decision-making is concentrated at a single point in the organization. The characteristic that makes centralization more appropriate is when lower level managers are reluctant to be involved in decision-making. Hence, option (e) is correct.

48. Answer: (a)

Reason: When managers delegate authority, they must allocate commensurate responsibility.

49. Answer: (b)

Reason: Managers need fewer formal rules and regulations in an organization with a strong culture.

50. Answer: (d)

Reason: Work Sampling Test is used as a means of measuring practical ability on a specific job. The applicant completes some job activity under structured conditions. Hence, option (d) is correct.

51. A production manager of a manufacturing organization is trying to determine how to revise the production department, so that it can produce more units per day and achieve the targets in a specified time. Identify the managerial function.

(a) Organizing

(b) Leading

(c) Controlling

- (d) Marketing (e) Auditing.

52. Management is best understood as

- I. A process.
II. Reaching organizational goals.
III. Utilizing people and other resources.
- (a) Only (I) above (b) Only (III) above
(c) Both (I) and (II) above (d) Both (I) and (III) above
(e) All (I), (II) and (III) above.

53. The Gantt Chart was invented by Henry L. Gantt. It is still used today in the production planning area of many organizations. It was the first simple visual device to maintain production control. The chart visually shows when tasks are supposed to be done and compares that with the

- (a) Scheduled delivery of materials (b) Supervisor's estimate of completion
(c) Customers' requested date of delivery (d) Actual progress on each task
(e) Scheduled release of future orders.

54. Max Weber, a German sociologist, believed that effective organizations had a formal structure and followed a predefined set of rules and regulations. He identified these organizations as

- (a) Autocratic (b) Authoritative
(c) Hierarchical
(d) Bottomup (e) Bureaucratic.

55. Which of the following best describes line-staff conflict?

- (a) Conflict between two or more individuals with perceived differences in values, goals, or needs
(b) Conflict among an individual's self values, goals, or needs
(c) Intergroup conflict arising from perceived differences between those directly involved in producing or selling products and those that support functions such as information systems and human resources
(d) Conflict on account of work delegated without conferring responsibility
(e) Conflict due to resistance to change.

56. During the early 1900s, the mission of business firms was set exclusively in economic terms. After the 1960s, social activists began to question the singular objective of business enterprises. Managers today continually encounter decisions that have a social dimension. Which of the following is defined as a business firm's obligation, beyond that required by law and economics, to pursue long-term goals that are good for society?

- (a) Social obligation (b) Social screening
(c) Values-based management (d) Social responsibility
(e) Ethical obligation.

57. Standing plans that furnish broad guidelines for channeling management thinking in specified direction are called

- (a) Procedures
- (b) Programs
- (c) Single-use plans
- (d) Policies
- (e) Rules.

58. Just as organizations define goals at different levels, they also establish plans at different levels. On the basis of the organizational level, plans can be strategic, tactical and operational. Which of the following would not be an accurate depiction of the differences between strategic and tactical planning?

- (a) Strategic planning is developed mainly by upper-level management and tactical planning is generally developed by lower-level management
- (b) Facts for strategic planning are generally easier to gather than facts for tactical planning
- (c) Strategic plans generally contain less detail than tactical plans
- (d) Strategic plans generally cover a longer period of time than tactical plans
- (e) Managers who are engaged in the development of strategic plans tend to work in more uncertainty than those managers engaged in the development of tactical plans.

59. The organization level at which strategies are determined for strategic business units is the

- (a) Business level
- (b) Corporate level
- (c) Functional level
- (d) Operational level
- (e) Market level.

60. The BCG matrix was devised in the 1970s by the Boston Consulting Group, a leading management consulting firm. It is a widely used method of portfolio management and helps businesses evaluate their profitability. According to the BCG matrix, an SBU comprising speculative products that entail high risks, would be referred to as

- (a) A question mark
- (b) A bull
- (c) A dog
- (d) A cash cow
- (e) A star.

Answers

51. Answer: (c)

Reason: When a planning exercise is implemented in production cycle, it is controlling and guiding the work schedules helps in reaching the desired goals. Hence, option (c) is the correct answer.

52. Answer: (e)

Reason: Management is best understood as a process of reaching organizational goals, utilizing people and other resources.

53. Answer: (d)

Reason: The Gantt chart visually shows when tasks are supposed to be done and compares that with the actual progress on each. Hence, option (d) is correct.

54. Answer: (e)

Reason: Weber's bureaucracy theory was supposed to be an epitome of efficiency, but in actual practice, it reflected an opposite picture. In practice, any organization that adopted a bureaucratic approach was found to slow, insensitive to individual needs and grossly inefficient. Hence, option (e) is correct answer.

55. Answer: (c)

Reason: Line-staff conflict is intergroup conflict arising from perceived differences between those directly involved in producing or selling products and those that support functions such as information systems and human resources.

56. Answer: (d)

Reason: Social responsibility is defined as a business firm's obligation, beyond that required by law and economics, to pursue long-term goals that are good for society. Hence, option (d) is correct.

57. Answer: (d)

Reason: Policies are standing plans that furnish broad guidelines for channeling management thinking in specified direction.

58. Answer: (b)

Reason: Strategic plan is used to establish overall objectives for the organization and position the organization in terms of its environment. Facts for strategic planning are generally more difficult to gather than facts for tactical planning. Hence, option (b) is correct.

59. Answer: (b)

Reason: Strategies for strategic business units are determined at the corporate level.

60. Answer: (a)

Reason: A question mark is a business unit that has a small relative market share in a rapidly growing market. The future performance of such a business unit is uncertain. Hence, option (a) is correct.

61. When managers have substantial but not complete confidence and trust in subordinates and solicit advice from subordinates while retaining the right to make final decision, Likert's four systems of management describes it as

(a) Participative leadership style

(b) Benevolent-authoritative leadership style

(c) Consultative leadership style

(d) Exploitative-authoritative leadership style

(e) Trait theory of leadership style.

62. Communication is the transfer of information from a sender to a receiver, with the information being understood by the receiver. In this process what is the term associated with the selection of appropriate symbols, such as words, numbers or digits by the sender?

(a) Modeling

(b) Encoding

(c) Channel

(d) Decoding

(e) Feedback.

63. For becoming a successful interpersonal communicator, a manager must be able to grasp all of the following except

- (a) How interpersonal communication works
- (b) The importance of verbal versus non-verbal interpersonal communication
- (c) How to get the most out of the grapevine
- (d) The relationship between feedback and interpersonal communication
- (e) How certain factors act as barriers to effective interpersonal communication.

64. The basic method of _____ control is an improvement over _____ control, because it tries to shorten or to eliminate the delay between performance and feedback about the performance

- (a) Feedback, Feed forward
- (b) Concurrent, Feedback
- (c) Feedback, Concurrent
- (d) Feed forward, Feedback
- (e) Steering, Concurrent.

65. The Gantt Chart (invented by Henry L. Gantt), still used today in the production planning area of many organizations, is a method for comparing the actual and planned performances. It was the first simple visual device to maintain production control. It is essentially a bar graph with _____ axis and _____ axis.

- (a) Time on the horizontal; the activities to be scheduled on the vertical
- (b) Time on the vertical; project completion on the horizontal
- (c) Time on the horizontal; project completion on the vertical
- (d) Time on the vertical; the activities to be scheduled on the horizontal
- (e) Time on either; the activities to be scheduled on the other.

66. Which of the following controls emphasizes on control through speculation of deviations rather than exercising control after the deviations have occurred?

- (a) Direct control
- (b) Indirect control
- (c) Preventive control
- (d) Concurrent control
- (e) Feedback control.

67. The principle of preventive control brings about a sharp distinction between analyzing performance reports and determining whether managers adopt the established principles in actual practice. Thus, the principle of preventive control can be stated as

- I. The higher the quality of managers and their subordinates, the less will be the need for direct controls.
 - II. The higher the quality of managers and their subordinates, the less will be the need for preventive controls.
 - III. The higher the quality of managers and their subordinates, the less will be the need for concurrent controls.
- (a) Only (I) above
 - (b) Only (II) above
 - (c) Only (III) above
 - (d) Both (I) and (II) above
 - (e) Both (II) and (III) above.

68. A career strategy should be designed to overcome weaknesses and utilize strengths so as to take advantage of career opportunities. There are various steps in formulating a career strategy. Which of the following steps will precede the others in formulating a career strategy?

- (a) Development of Strategic Career Alternatives
- (b) Analysis of Personal Strengths and Weaknesses
- (c) Consistency Testing and Strategic Choices
- (d) Implementation of the Career Plan
- (e) Monitoring Progress.

69. Which of the following inventory techniques uses cards to monitor inventory movement?

- (a) ABC Analysis
- (b) JIT Approach
- (c) Kanban
- (d) Kaizen
- (e) Economic Order Quantity.

70. A Decision Support System (DSS) is an interactive computer system used to plan and make decisions. Which of the following is not true with regard to DSS?

- (a) Executive decisions are the focal points in DSS
- (b) DSS specializes in easy-to-use software
- (c) DSS employs interactive processing
- (d) The control and use of DSS rests with the central information management department
- (e) DSS is adaptable to change.

Answers

61. Answer: (c)

Reason: When managers have substantial but not complete confidence and trust in subordinates and solicit advice from subordinates while retaining the right to make final decision, **Likert's four systems** of management describes it as consultative leadership style. **(a) In Participative leadership style**, the manager has complete trust and confidence in the subordinates in all the matters. **(b) In Benevolent-authoritative leadership style**, the managers have a patronizing confidence and trust in subordinates, solicit some ideas and opinions from subordinates, motivate with rewards and some fear and punishment, permit some upward communication and allow some delegation of decision-making but with close policy control. **(d) In Exploitative-authoritative leadership style**, the managers represent dictatorial leadership behavior with all decisions made by the manager. **(e) Trait theory of leadership** style assumes that leaders share certain inborn personality traits.

62. Answer : (b)

Reason : Encoding is a process by which a sender translates his thoughts into a series of symbols that he feels, will communicate the message to the intended receiver. **(c) A channel** is anything that links the sender with the receiver. **(d) Decoding** is the interpretation and translation of a message into meaningful information. **(e) A feedback** is a message that is generated by the receiver in response to the sender's original message. **(a) Modeling** is not relevant in this context.

63. Answer : (c)

Reason : The grapevine is an informal communication system and is popularly known as "rumour mill". It is not of relevance to interpersonal communication.

Hence, from above discussion, we can infer that option (c) is correct.

64. Answer : (b)

Reason : **Concurrent control** takes place while operations are going on and is intended to minimize problems as they occur. Concurrent control is a control type based on timing that involves the regulation, monitoring and adjusting of ongoing activities that are part of the transformation process to ensure that they conform to organizational standards. Feedback control takes place after operations are finished and is intended to correct problems that have already occurred. A **feed forward control** is a control type based on timing that focuses on the regulation of inputs to ensure that they meet the standards necessary for the transformation process. Steering control is a technique used to detect deviations and allow corrective actions to be taken while the activity is being performed.

65. Answer: (a)

Reason : A **Gantt chart** is essentially a bar graph with time on the horizontal axis and the activities to be scheduled on the vertical axis.

Hence from above discussion, we can infer that option (a) is correct.

66. Answer : (c)

Reason : Preventive Control emphasizes on control through speculation of deviations rather than exercising control after the deviations have occurred.

67. Answer : (a)

Reason : The principle of preventive control can be stated as "The higher the quality of managers and their subordinates, the less will be the need for direct controls".

68. Answer : (b)

Reason : The steps in formulating a career strategy are as follows:

- Preparation of a personal profile.
- Development of long-range personal and professional goals.
- Analysis of the environment.
- Analysis of Personal Strengths and Weaknesses.
- Development of Strategic Career Alternatives.
- Consistency Testing and Strategic Choices.
- Development of short-range career objectives and action plans.
- Development of contingency plans.
- Implementation of the Career Plan.
- Monitoring Progress.

Hence, from above discussion, we can infer that option (b) is correct.

69. Answer : (c)

Reason : **Kanban** is a subsystem of the JIT approach involving a simple parts movement system that depends on cards and containers to pull parts from one work center to another. (a) **ABC analysis** is a technique of inventory management, in which the inventory is distributed based on price and usage of the inventory. (b) A **JIT** is an approach to inventory control that emphasizes having materials arrive just as they are needed in the production

process. (d) **Kaizen** is a Japanese term implying continuous improvement. (e) **EOQ** is an inventory control method developed to minimize ordering and holding costs, while avoiding stock out costs.

70. Answer : (d)

Reason : The following are the characteristics of DSS:

Executive decisions are the focal points in DSS.

DSS specializes in easy-to-use software.

DSS employs interactive processing.

The control and use of DSS rests with the users and not the central information management department.

DSS is adaptable to change

71. In the past three to four decades, many management theorists, and writers have made remarkable contribution in the study of management. By studying the various approaches to management analysis, we can understand the concept of management and have a better understanding of managerial functions. Which approach to management emphasizes managing people by understanding their individual psychological needs?

- (a) Empirical Approach
- (b) Decision Theory Approach
- (c) Management Science Approach
- (d) Interpersonal Behavior Approach
- (e) Contingency Approach.

72. The communication process is made up of various components. Which of the following is the actual physical product from the source?

- (a) Feedback
- (b) Filter
- (c) Message
- (d) Channel
- (e) Understanding.

73. Which of the following would not be an accurate depiction of the differences between strategic and tactical planning?

- (a) Strategic planning is developed mainly by upper-level management and tactical planning is generally developed by lower-level management
- (b) Facts for strategic planning are generally easier to gather than facts for tactical planning
- (c) Strategic plans generally contain less details than tactical plans
- (d) Strategic plans generally cover a longer period of time than tactical plans
- (e) Managers who are engaged in the development of strategic plans tend to work in more uncertainty than those managers engaged in the development of tactical plans.

74. Which of the following statements concerning grapevine is not correct?

- (a) Grapevine is generally used irregularly in organizations
- (b) Grapevine can and often does generate harmful rumors
- (c) Grapevine is used largely to serve the self-interests of people within it

- (d) Some managers use grapevine to their advantage
- (e) In time, and with proper pressure, grapevine can be eliminated.

75. The conflict-resolution approach that corresponds with a high level of assertiveness and a low level of cooperativeness, is referred to as

- (a) Compromising (b) Collaborating
- (c) Forcing (d) Avoiding
- (e) Accommodating.

76. Mr. Sunil works for "Energy Engineering Works." Apart from the regular compensation, the company provides him with things such as tuition reimbursement, recreational opportunities etc. What is the name given to these things of value?

- (a) Incentives (b) Benefits
- (c) Rewards (d) Compensation
- (e) Social benefits.

77. The fact that 70-80 percent of a manager's time is taken up by his interactions with others, highlights the need for effective communication for successful management. Which of the following strategies is not likely to improve communication effectiveness?

- (a) Avoiding non-verbal cues
- (b) Using simple, unambiguous language
- (c) Using active listening techniques
- (d) Using appropriate and consistent nonverbal cues
- (e) Using the feedback loop in the communication process.

78. Two factor theory of motivation provides useful insights into the relationship between individual and situational or hygiene factors. Which of the following is a hygiene factor?

- (a) Achievement (b) Interpersonal relations
- (c) Recognition (d) Challenging work
- (e) Increased responsibility.

79. Identify the sequence of different steps in controlling.

- I. Measurement of performance.
- II. Comparison of actual and standard.
- III. Analysis of causes of deviation.
- IV. Actual performance.
- V. Corrective action plan.

- (a) (III), (IV), (V), (I), (II) (b) (III), (III), (IV), (V), (I)
- (c) (I), (II), (IV), (III), (V) (d) (IV), (I), (II), (III), (V)
- (e) (V), (IV), (III), (II), (I).

80. JIT (Just-In-Time) inventory control is an approach to inventory control, which stipulates that materials should arrive just, as they are needed, in the production process. Which of the following

would generally not be associated with a successful JIT program, for the purpose of inventory control?

- (a) Well-organized receiving and handling of materials purchased from suppliers
- (b) Strong management commitment
- (c) Suppliers located in diverse and distant locations
- (d) High quality of materials purchased from suppliers
- (e) Dependable and long-lasting relationships with suppliers and customers.

Answers

71. Answer: (d) Reason : Interpersonal Behavior Approach to management emphasizes managing people by understanding their individual psychological needs. Hence, from above discussion, we can infer that option (d) is correct.

72. Answer: (c) Reason : The communication process is made up of various components. The message is the actual physical product from the source encoding. Hence, from above discussion, we can infer that option (c) is correct.

73. Answer: (b) Reason : Strategic plan is used to establish overall objectives for the organization and position the organization in terms of its environment. Facts for strategic planning are generally more difficult to gather than facts for tactical planning. Hence, from above discussion, we can infer that option (b) is correct.

74. Answer: (e) Reason : Grapevine is an integral part of organizational communication and hence cannot be eliminated.

75. Answer: (c) Reason : The conflict-resolution approach that corresponds with a high level of assertiveness and a low level of cooperativeness, is referred to as Forcing. Hence, from above discussion, we can infer that option (c) is correct.

76. Answer: (b) Reason : The term associated with things such as tuition reimbursement, recreational opportunities etc is benefits which is provided apart from the regular compensation. i.e. Benefits are forms of supplementary compensation. They represent monetary and non-monetary payments over and above the wages paid. (a) Incentives represent special compensation opportunities that are usually tied to performance. (c) Rewards are given in recognition of specific achievements whereas social benefits in the form of say club memberships are given to enhance the employee status. (d) Compensation is the financial remuneration given by the organization to its employers for their work.

77. Answer: (a) Reason : Avoiding non-verbal cues is not likely to improve communication effectiveness. Rather, non-verbal cues are very important for effective communication as they often help in understanding the hidden feelings in people. Hence, from above discussion, we can infer that option (a) is correct.

78. Answer: (b) Reason : Interpersonal relationships can be considered as a hygiene factor under Two factor theory.

79. Answer: (d) Reason : The steps in controlling are actual performance, measurement of performance, comparison of actual and standard. Analysis of causes of deviation and corrective action plan. (d) is correct answer.

80. Answer: (c) Reason : A successful JIT program requires that suppliers be located in close proximity of the company, so that materials can arrive as and when needed.

Hence from above discussion, we can infer that option (c) would generally not be associated with a successful JIT program. Options (a), (b), (d) and (e) would all be associated with a successful JIT program.

81. Information that originates outside the organization is known as external information. Which of the following is/are example(s) of external information in an organization?

- (a) Daily receipts and expenditures
- (b) Salesperson Quotas
- (c) Descriptions of customer satisfaction with products and services
- (d) Quantity of an item in hand or in inventory
- (e) Cost and selling price of the company's item.

82. Which of the following decision-making models emphasizes short-run solution of a problem rather than long-term goal accomplishment?

- (a) Rational model
- (b) Satisfying model
- (c) Incremental model
- (d) Garbage-can model
- (e) Decision tree.

83. Sofia works in one of seven research and development departments at General Automobile Corporation. This would suggest that General Automobiles has a

- (a) Functional structure
- (b) Divisional structure
- (c) Flat structure
- (d) High degree of centralization
- (e) Tall structure.

84. Which of the following information processing systems gives the output in the form of summary and exception reports that are useful to the managers?

- (a) Decision support system
- (b) Management information system
- (c) Office automation system
- (d) Transaction processing system
- (e) Executive support system.

85. In which of Likert's four systems of leadership, managers do not have complete confidence and trust in subordinates but nevertheless, solicit advice from subordinates while retaining the right to make final decision?

- (a) Participative leadership style
- (b) Benevolent-authoritative leadership style
- (c) Consultative leadership style
- (d) Exploitative-authoritative leadership style
- (e) Trait theory of leadership style.

86. Performance appraisals are important in an organization because they

- I. Provide systematic judgments to support promotions.
 - II. Provide a basis for coaching.
 - III. Provide a basis for counseling.
 - IV. Let subordinates know where they stand with the boss.
- (a) Only (I) above
 - (b) Only (II) above
 - (c) Both (I) and (IV) above
 - (d) (I), (III) and (IV) above
 - (e) All (I), (II), (III) and (IV) above.

87. Ratio analysis helps a manager to compare the performance of the organization with its previous performance or the performance of its competitors. Which of the following is a ratio of creditors' contribution to that of the owners?

- (a) Current ratio
- (b) Debt-equity ratio
- (c) Return on investment (ROI)
- (d) Net profit margin
- (e) Inventory turnover.

88. Which of the following inventory techniques uses cards to monitor inventory movement?

- (a) ABC Analysis
- (b) JIT Approach
- (c) Kanban
- (d) Kaizen
- (e) Economic Order Quantity.

89. A decision support system (DSS) is an interactive computer system used to plan and make decisions. Which of the following is/are true with regard to Decision Support System (DSS)?

- I. Executive decisions are the focal points in DSS.
 - II. DSS specializes in easy-to-use software.
 - III. DSS employs interactive processing.
 - IV. The control and use of DSS rests with the central information management department.
- (a) Only (I) above
 - (b) Both (I) and (II) above
 - (c) Both (III) and (IV) above
 - (d) (I), (II) and (III) above
 - (e) (II), (III) and (IV) above.

90. Which of the following is/are postulates of the path - goal theory?

- I. The leader clearly defines the path to goal attainment for subordinates.
 - II. The leader motivates subordinates to participate in decision-making.
 - III. The leader sets clear and specific goals for subordinates.
 - IV. The leader suitably rewards employees as per their performance.
- (a) Only (II) above
 - (b) Only (IV) above
 - (c) Both (II) and (IV) above
 - (d) (I), (II) and (IV) above
 - (e) All (I), (II), (III) and (IV) above.

Answers

81. Answer : (c) Reason : Descriptions of customer satisfaction with products and services are examples of external information in an organization. Hence from above discussion, we can infer that option (c) is correct.

Options (a), (b), (d) and (e) are all examples of internal information in an organization.

82. Answer : (c) Reason : **Incremental model** emphasizes short-run solution of a problem rather than long-term goal accomplishment. **(a) Rational model** is a model of managerial decision-making, which suggests that managers engage in completely rational decision process, ultimately make optimal decisions and process, and understand all information relevant to their decisions at the time they make them. **(b) Satisficing model** describe the way modern managers must, of necessity, make decisions with incomplete information by choosing from among the few most likely alternatives. **(d) Garbage** can model is a non-

rational model of management decision-making stating that managers behave in virtually a random pattern in making non-programmed decisions. **(e) Decision tree** is a quantitative decision-making tool based on a graphic model that displays the structure of a sequence of alternative courses of action and usually shows the payoff associated with various paths and the probabilities associated with future conditions.

83. Answer : (b) Reason : Sofia works in one of seven research and development departments at General Automobile Corporation and this suggests that General Automobile has a divisional structure. i.e. to say divisional structure is a type of departmentation in which positions are grouped according to similarity of products, services or markets. **(a) Functional structure** is a type of departmentation in which positions are grouped according to their main functional or specialized area. **(c) Flat structure** is a structure that has few hierarchical levels and wide spans of control. **(d) High degree of centralization** is the tendency to restrict delegation of decision-making in an organization structure, usually by holding authority at or near the top of the organization structure. **(e) Tall structure** is a structure that has many hierarchical levels and narrow spans of control.

84. Answer : (b) Reason : **MIS (Management Information System)** gives the output in the form of summary and exception reports that are useful to the manager.

85. Answer : (c) Reason : When managers have substantial but not complete confidence and trust in subordinates and solicit advice from subordinates while retaining the right to make final decision, **Likert's four** systems of management describes it as consultative leadership style. (a) In Participative leadership style the manager has complete trust and confidence in the subordinates in all the matters. **(b) In Benevolent leadership** style the managers have a patronizing confidence and trust in subordinates, solicit some ideas and opinions from subordinates, motivate with rewards and some fear and punishment, permit some upward communication and allow some delegation of decision-making but with close policy control. **(d) In exploitative-authoritative** leadership style the managers represents doctoral leadership behavior with all decisions made by the manager. **(e) Trait theory** of leadership style assumes that leaders share certain inborn personality traits.

86. Answer : (e) Reason : Performance appraisals are important in an organization because they provide systematic judgements to support promotions; provide a basis for coaching; provide a basis for counseling; and let subordinates know where they stand with the boss.

87. Answer : (b) Reason : Debt-equity ratio indicates what percentage of the organization's assets creditors furnish. (a) Current ratio is the ratio of current assets to current liabilities. (c) Return on investment **(ROI)** is the ratio of net income to total assets. (d) Net profit margin is the ratio of net income to net sales. (e) Inventory turnover is the ratio of cost of goods sold to inventory.

88. Answer : (c) Reason : **Kanban** is a subsystem of the **JIT approach** involving a simple parts movement system that depends on cards and containers to pull parts from one work center to another. (a) ABC analysis is a technique of inventory management, in which the inventory is distributed based on price & usage of the inventory. **(b) A JIT** is an approach to inventory control that emphasizes having materials arrive just as they are needed in the production process. (d) Kaizen is a Japanese term implying continuous improvement. **(e) EOQ** is an inventory control method developed to minimize ordering plus holding costs, while avoiding stock out costs.

89. Answer : (d) Reason: The following are the characteristics of DSS:

Executive decisions are the focal points in DSS.

DSS specializes in easy-to-use software

DSS employs interactive processing.

The control and use of DSS rests with the users and not the central information management department

Statement given in (IV) is incorrect; hence option (d) is the correct answer.

90. Answer : (e) Reason : According to **Path-Goal theory**, the leader clearly defines the path to goal attainment for subordinates, when leader motivates subordinates to participate in decision-making and sets clear and specific goals to the organization and a leader should suitably reward employees as per their performance. So, all the statements mentioned are true for path-goal theory.

91. Behaviorally Anchored Rating Scales (BARS) is a sophisticated performance rating method. Which of the following is not true with regard to BARS?

(a) BARS minimizes subjective interpretation inherent in graphic rating scales

- (b) BARS makes use of 'anchors' (common reference points of performance)
- (c) BARS concentrates on job-specific behaviors and hence is highly meaningful
- (d) BARS is a simple and cost-effective rating method
- (e) BARS can be applied in organizations where a large number of people perform similar jobs.

92. Which of the following is not true with regard to functional authority?

- (a) Functional authority is the authority staff members have over line members within the limits of their functions
- (b) Functional authority has the same effect as line authority but it doesn't have the right that line authority has, to punish violations or deviations in order to ensure compliance
- (c) Functional authority is limited to those areas where a staff member has some technical competence
- (d) The use of functional authority should be restricted to the procedural aspects of a function
- (e) Functional authority is in sync with the principle of unity of command.

93. Creativity is an important factor in managing people. Which of the following is not true with regard to the creative process?

- (a) Creativity is the ability to develop new ideas
- (b) The creative process starts with unconscious scanning
- (c) Intuition connects the unconscious with the conscious
- (d) Insight leads to intuition
- (e) Insight is tested against organizational reality.

94. According to "expectancy theory", the probability of an individual acting in a particular way depends on

- I. The personality of the individual and the likelihood it will change.
- II. The company and its potential to be moving in the right direction.
- III. The situation.
- IV. The strength of that individual's belief that the act will have a particular outcome and on whether the individual values that outcome.

- (a) Only (I) above
- (b) Only (IV) above
- (c) Both (I) and (III) above
- (d) Both (II) and (IV) above
- (e) (I), (III) and (IV) above.

95. Which of the following techniques for improving productivity aims at reducing costs by analyzing and improving individual operations of a product or service?

- (a) Work simplification
- (b) Time-event network
- (c) Value engineering
- (d) Total Quality Management
- (e) Quality Circle.

96. Span of control an important factor, which is to be taken into account when undertaking organizational design. Maintaining a large span of control within an organization is most effective in all except one of the following situations?

- (a) When subordinates prefer autonomy
- (b) When tasks are routine
- (c) When jobs are similar but have varying performance measures
- (d) When subordinates are highly trained
- (e) When managers are competent.

97. Functional job analysis is a widely used systematic job analysis approach. Which of the following dimensions of an individual's job does functional job analysis focus on?

- I. Data, people and jobs pertaining to the individual's job.
- II. Interpersonal relationships required to perform the job.
- III. Tools and equipment used by the worker.
- IV. Products and services produced by the worker.

- (a) Only (I) above
- (b) Only (III) above
- (c) Both (II) and (IV) above
- (d) (I), (III) and (IV) above
- (e) All (I), (II), (III) and (IV) above.

98. Organizational culture is the collection of shared values, beliefs, rituals, stories, myths and specialized language that foster a feeling of community among organization members. Which of the following is not a characteristic of organization culture?

- (a) It differentiates one organization from another
- (b) It defines the internal environment of an organization
- (c) It ensures consistency in the behavior of organization members
- (d) It remains absolutely stable throughout the life of an organization
- (e) It is perceived by the organization members as well as by outsiders.

99. Management By Objectives (MBO) is a system for achieving organizational objectives, enhancement of employee commitment and participation. Which of the following is not an advantage of MBO?

- (a) Role clarity
- (b) Clarity in organizational action
- (c) Personnel satisfaction
- (d) Basis for organizational change
- (e) Flexibility.

100. Which of the following are the characteristics of the planning process usually adopted in Japanese Management style?

- I. Long-term orientation.
- II. Individual decision-making.
- III. Decisions flowing from bottom to top and back.
- IV. Slow decision-making.

- (a) Both (I) and (II) above
- (b) Both (I) and (III) above
- (c) Both (II) and (IV) above
- (d) (I), (III) and (IV) above

(e) (II), (III) and (IV) above.

Answers

91. Answer : (d) Reason : **BARS** minimizes subjective interpretation inherent in graphic rating scales. They make use of 'anchors' (**common reference points of performance**) and they concentrate on job-specific behaviors and hence are highly meaningful. However, **BARS** are time-consuming and costly to develop, as they should cover each dimension of all jobs in the department. As a result, BARS tend to be used in situations in which relatively large numbers of individuals perform similar jobs.

92. Answer : (e) Reason : The authority to control other departments, related to specific tasks, is known as functional authority. It is defined as the formal authority staff members have over line members within the limits of their functions. It has the same effect as line authority but it does not have the right that line authority has, to punish violations or deviations in order to ensure compliance. Functional authority is limited to those areas where a staff person has some technical competence. The use of functional authority should be restricted to the procedural aspects of a function. But functional authority violates the principle of unity of command since authority over specific functional activities is exercised not only by line managers but also by staff managers.

93. Answer : (d) Reason : Creativity is the ability to develop new ideas. The creative process comprises four phases: unconscious scanning, intuition, insight, and logical formulation. Intuition connects the unconscious with the conscious, and leads to insight. In the final phase of the creative process, insight is tested against organizational reality.

94. Answer : (b) Reason : According to "**expectancy theory**", the probability of an individual acting in a particular way depends on the strength of that individual's belief that the act will have a particular outcome and on whether the individual values that outcome. Hence option (b) is the correct answer.

95. Answer : (c) Reason : Value engineering involves analyzing the operations of the products or service, estimating the value of each operation, and modifying that operation so that the cost is lowered.

Work simplification involves teaching workers the concepts of time and motion studies, layout of work situations, and workflow analysis in order to improve work methods.

Time-event network is a logical extension of the Gantt chart and uses Critical Path Method to help in planning and controlling operations.

Total Quality Management (TQM) calls for active participation of all the members at all levels of the organization in order to ensure its (the organization's) long-term commitment to improvement of quality.

A quality circle is a group of people who belong to an organizational area and who meet regularly to solve the problems they face at work.

96. Answer : (c) Reason : Maintaining a large **span of control** within an organization is most effective in all situations except when jobs are similar but have varying performance measures.

97. Answer : (d) Reason : Functional Job Analysis focuses on the following dimensions of an individual job:

Data, people and jobs pertaining to the individual's job.

Tools and equipment used by the worker.

Products and services produced by the worker.

Hence, from above discussion, we can infer that option (d) is correct.

98. Answer : (d) Reason : **Organization culture** is the collection of shared values, beliefs, rituals, stories, myths, and specialized language that foster a feeling of community among organization members. **Organizational culture** is distinctive and it differentiates one organization from another. It is based on certain norms, which define the internal environment of an organization. When the members of an organization interact with each other, they use a common language, and follow the same norms and hence organizational culture ensures consistency in their behavior. It is perceived by the members of the organization as well as by outsiders. Though organizational culture is fairly stable, it keeps evolving from time to time.

99. Answer : (e) Reason : **MBO** helps in better managing the organizational resources and activities through clarity of objectives, role clarity, periodic feedback on performance, and participation by managers. It provides the **key result areas (KRAs)** where organizational efforts are needed, which leads

to clarity in organizational action. Since MBO allows participation of employees in objective setting and a rational performance appraisal, it provides the greatest opportunity for personnel satisfaction. Also, MBO stimulates organizational change and provides a framework and guidelines for planned change, enabling the top management to initiate, plan, direct, and control the direction and speed of change. However, MBO has some limitations also, which include inflexibility in the organization, particularly when the objectives need to be changed.

100. Answer : (d) Reason : The characteristics of the planning process usually adopted in Japanese Management style are: (1) Long-term orientation, (2) Collective decision-making, (3) Decisions flowing bottom to top and back, (4) Slow decision-making. Hence, (d) is the correct answer.

101. Which of the following refers to the flow of information among persons at different levels, who have no direct reporting relationships?

- (a) Horizontal communication (b) Diagonal communication
- (c) Upward communication (d) Downward communication
- (e) Forward communication.

102. Every organization structure, even a poor one, can be charted. Which of the following is false with respect to Organization Chart?

- (a) It is a vital tool for providing information about organizational relationships
- (b) It provides a visual map of the chain of command
- (c) Charting an organization structure can show up the complexities and inconsistencies, which can be corrected
- (d) It shows authority relationships as well as informal and informational relationships
- (e) It helps managers and new personnel to know how and where they fit into the organization structure.

103. As Arvind Misra is reviewing the progress of his organization in meeting its organizational goals, he is struck by the fact that his organization has an organizational structure that might be causing problems. The current structure diffuses accountability, makes it difficult to respond to changing conditions quickly, and results in situations where someone might have two bosses. Which of the following organization forms best fits these disadvantages being experienced by Mr. Misra?

- (a) Geographical structure (b) Matrix structure (c) Divisional structure
- (d) Customer structure (e) Functional structure.

104. The garbage-can model is effective in which of the following situation/s?

- I. When managers have no specific goal preferences.
- II. When the means of achieving goals are unclear.
- III. When there are frequent changes in the participants involved in decision-making.
- IV. When the degree to which decision-makers can determine optimal decisions is limited by the individuals' capacity and intelligence.

- (a) Only (IV) above (b) Both (I) and (II) above
- (c) Both (III) and (IV) above (d) (I), (II) and (III) above
- (e) All (I), (II), (III) and (IV) above.

105. Which of the following is true about the conclusions drawn from the trait approach to leadership?

- (a) The trait approach identifies traits that consistently separate leaders from non leaders
- (b) There are certain traits that guarantee that a leader will be successful
- (c) The trait approach is based on early research that assumes that a good leader is born, not made
- (d) Leadership is a simple issue of describing the traits of successful leaders
- (e) The trait approach is based on early research that assumes that a good leader is made, not born.

106. Which of the following information systems has low-volume data and analytical models as data inputs?

- (a) Management Information System (b) Decision Support System
- (c) Executive Support System (d) Transaction Processing System
- (e) Office Automation System.

107. An objective is the object or aim of an action. Management by Objectives (MBO) is a management process that is popular in many organizations. It is the joint setting of goals and objectives by superiors and subordinates. A major difference between traditional objective setting and MBO is

- (a) In MBO, there are multiple objectives covering a range of organisational activities
- (b) In traditional objective setting the objectives, once formulated, provide direction for management decisions
- (c) In traditional objective setting the objectives, once established, form the criteria against which actual accomplishments can be measured
- (d) In MBO, organisation members may actually pursue objectives other than the formal organisational objectives
- (e) Traditional objective setting is 'top down' only, while MBO is both a 'top down' and 'bottom up' process.

108. In the Japanese management style, the controlling function is characteristic of

- I. Focus on individual performance.
- II. Control by peers.
- III. Extensive use of quality control circles.
- IV. Fixing blame.

- (a) Both (I) and (II) above (b) Both (I) and (III) above
- (c) Both (I) and (IV) above (d) Both (II) and (III) above
- (e) Both (II) and (IV) above.

109. The strengths and weaknesses of each alternative become obvious in which step of the decision making-process?

- (a) Identifying the problem (b) Identifying the decision criteria
- (c) Analyzing the alternatives (d) Implementing the alternative
- (e) Obtaining the needed resources.

110. The recruitment procedure is initiated when a vacancy occurs and is reported to the HR department. Which of the following is usually the first step followed in the recruitment procedure?

- (a) Designing job description
- (b) Developing a job specification
- (c) Performing job analysis
- (d) Attracting a pool of applicants
- (e) Selecting best recruits.

Answers

101. Answer : (b)

Reason: **Diagonal communication** refers to the flow of information among persons at different levels, who have no direct reporting relationships.

102. Answer : (d)

Reason: **Organization Chart** is a vital tool for providing information about organizational relationships. It shows authority relationships and neglects significant informal and informational relationships. Hence, option (d) is false with respect to Organization Chart. Options (a), (b), (c) and (e) are all true with respect to Organization Chart.

103. Answer : (b)

Reason: The matrix structure best fits the disadvantages being experienced by Mr. Misra.

104. Answer : (d)

Reason: The **garbage-can model** is effective in the following situations

- When managers have no specific goal preferences
- When the means of achieving goals are unclear
- When there are frequent changes in the participants involved in decision-making

Statement (IV) is a condition under which a satisfying decision is made

Hence, option (d) is the answer.

105. Answer : (c)

Reason: The **trait approach** is based on early research that assumes that a good leader is born, not made.

106. Answer : (b)

Reason: **Decision Support System (DSS)** is an information system that helps the managers in decision-making. It uses low-volume data and analytical models as data inputs. Hence, option (b) is correct.

107. Answer : (e)

Reason: **MBO** is the joint setting of goals and objectives by superiors and subordinates and clarifying on the objective itself. Traditional objective setting is 'top down' only, while MBO is both a 'top down' and 'bottom up' process. Hence, option (e) is correct.

108. Answer : (d)

Reason: In the **Japanese management style**, the controlling function is characteristic of

- Focus on group performance
- Control by peers
- (iii) Extensive use of quality control circles
- (iv) Saving face

Hence option (d) is the answer.

109. Answer : (c)

Reason: The strengths and weaknesses of each alternative become obvious in “analyzing the alternatives” stage of the decision-making process.

110. Answer : (c) Reason: The Recruitment Procedure consists of the following steps:

Performing Job Analysis.
Designing Job Description.
Developing a Job Specification.
Attracting a Pool of Applicants.
Selecting Best Recruits.

Hence, from above discussion, we can infer that option (c) is correct

111. Managers making ethical decisions may belong to any of the three levels of moral development. Which of the following stages describes the conventional level of moral development?

- (a) Following rules only when it is in one's immediate interest
- (b) Valuing rights of others and upholding absolute values and rights, regardless of the majority's opinion
- (c) Sticking to rules to avoid physical punishment
- (d) Living up to what is expected by people who are close to oneself
- (e) Following self-chosen ethical principles even if they violate the law.

112. Direct control is the control that is exercised after the deviations from plans have occurred. Which of the following is not an underlying assumption of direct control?

- (a) Performance can be measured
- (b) Personal responsibility is absent
- (c) The time expenditure is warranted
- (d) Mistakes can be discovered in time
- (e) The individual who is responsible will take corrective steps.

113. Which function of management involves filling, and keeping filled, the positions in the organization structure?

- (a) Organizing
- (b) Planning
- (c) Staffing
- (d) Controlling
- (e) Leading.

114. Which of the following is not true about 'power'?

- (a) Power requires no formal position
- (b) Power works both ways – downward and upward
- (c) Power is derived from many sources
- (d) Formal authority is a type of power
- (e) Power is a narrow term compared to authority.

115. In an organization, a superior has the right to get tasks accomplished by his subordinates, but the responsibility remains with the superior. This principle which intends to eliminate the practice of “passing the buck”, is known as

- (a) Authority on par with responsibility
- (b) Hierarchy of authority

- (c) Unity of direction
- (d) Downward delegation of authority
- (e) Unity of command.

116. Robert Owen was one of the prominent contributors to pre classical management thought. Which of the following did Robert Owen advocate/propose?

- (a) Division of labor
- (b) Legislative reforms to improve working conditions of labor
- (c) Profit-sharing plan
- (d) Study of management
- (e) Emphasis on the importance of business skills for running a business.

117. Informal communication is also referred to as

- (a) Grapevine
- (b) Buzz
- (c) Pipeline
- (d) Noise
- (e) Uproar.

118. An intervention, in Organization Development (OD) terms, is a systematic attempt to correct an organizational deficiency uncovered through diagnosis. Which of the following intervention techniques is concerned with the interpersonal relations and dynamics operating in work groups?

- (a) Techno-structural activity
- (b) Team building
- (c) Skill development
- (d) Process consultation
- (e) Survey feedback.

119. Why do such companies as Ford, Federal Express, Boeing, or Proctor & Gamble put together cross-functional teams?

- (a) Because each member has unique knowledge that adds value to the overall decision
- (b) Because it is cheaper than hiring consultants
- (c) Because decisions can be reached at almost twice the speed of other decision format styles
- (d) Because it diffuses risk (blame) of a wrong decision choice
- (e) Because of inadequate availability of manpower.

120. Which of the following is an advantage of the functional structure?

- (a) It follows principle of occupational specialization
- (b) It permits growth and diversity of products and services
- (c) There is better face-to-face communication with local interests
- (d) There is improved environmental monitoring
- (e) It improves coordination in a region.

Answers

111. Answer : (d)

Reason: Living up to what is expected by people who are close to oneself describes the conventional level of moral development. Options (a) and (c) describe the preconventional stage. Options (b) and (e) describe the principled stage.

112. Answer : (b)

Reason: The underlying assumptions of direct control are:

Performance can be measured.
Personal responsibility exists.
The time expenditure is warranted.
Mistakes can be discovered in time.
The individual who is responsible will take corrective steps.

Hence, option (b) is not the underlying assumption of direct control.

Options (a), (c), (d) and (e) are all underlying assumptions of direct control.

113. Answer : (c)

Reason: The staffing function of management involves filling, and keeping filled, the positions in the organization structure.

114. Answer : (e)

Reason: Power is a much broader concept than authority. Therefore, option (e) is not true about power and is the answer.

115. Answer : (d)

Reason: The principle which intends to eliminate the practice of "passing the buck", is known as downward delegation of authority. In downward delegation, a superior has the right to get tasks accomplished by his subordinates, but the responsibility remains with the superior.

116. Answer : (b)

Reason: Robert Owen proposed legislative reforms to improve working conditions of labor.

117. Answer : (a)

Reason: Informal communication is also referred to as grapevine.

118. Answer : (d)

Reason: Process Consultation intervention technique is concerned with the interpersonal relations and dynamics operating in work groups. Hence, option (d) is correct.

119. Answer : (a)

Reason: Companies such as Ford, Federal Express, Boeing, or Proctor & Gamble put together cross-functional teams because each member has unique knowledge that adds value to the overall decision. A cross-functional team, in business, consists of a group of people working toward a common goal and made of people with different functional expertise, which makes their knowledge unique.

120. Answer : (a)

Reason: Following the principle of occupational specialization is an advantage of the functional structure. **(b) Permitting growth** and diversity of products and services is an advantage of divisional structure. **(c) Better face-to-face communication** with local interests and (e) improved coordination in a region are advantages of a divisional structure. (d) Improved environmental monitoring is an advantage of the matrix structure.

121. Which of the following steps in the planning process involves the organization asking the question "in which environment – internal or external – will our plans operate"?

- (a) Formulating supporting plans
- (b) Comparing alternatives in the light of goals
- (c) Considering planning premises
- (d) Identifying alternatives
- (e) Setting objectives or goals.

122. Sakshi Pathak is considering the following questions as she approaches a planning period: (a) What industries should we get into or out of? (b) In which businesses should the corporation invest money? Which of the following levels would be appropriate to address the questions facing Ms. Pathak?

- (a) Corporate level
- (b) Business level
- (c) Operational level
- (d) Functional level
- (e) Departmental level.

123. Which of the following managers deal with the actual operations of an organization's units?

- (a) First level
- (b) Top level
- (c) Middle level
- (d) Administrative
- (e) Customer support.

124. Which of the following is/are objectives of sensitivity training?

- I. It helps individuals gain insights into their behavior and helps them analyze the way they appear to others.
- II. It helps individuals develop the skills necessary for diagnosing and understanding of group processes.
- III. It exposes managers to theories, principles and new developments in management.
- (a) Only (I) above
- (b) Only (III) above
- (c) Both (I) and (II) above
- (d) Both (II) and (III) above
- (e) All (I), (II) and (III) above.

125. Douglas McGregor identified two opposing perspectives (Theory X and Theory Y) that he believed typified managerial views of employees and suggested that management must start with the basic question of how managers see themselves in relation to others. Which of the following is not correct about his theory?

- (a) Theory X managers view people as having an inherent dislike of work
- (b) Theory X managers assume that people are self motivated and do not want to be directed
- (c) Theory Y managers assume that the average person will accept, even seek, responsibility
- (d) Theory Y managers view people as responsible and conscientious
- (e) Theory Y managers assume that people are internally motivated to accomplish the goals and objectives.

126. Inventory is vital to organizations, as it represents considerable costs. Various methods have been developed to control inventory related costs. Which inventory control method minimizes ordering and holding costs, while avoiding stock-out costs?

- (a) Mathematical model
- (b) Linear programming
- (c) Economic order quantity
- (d) JIT inventory system
- (e) Kanban.

127. Which of the following ratios tests the relationship between the sales and the various assets of a firm?

- (a) Activity ratio
- (b) Current ratio
- (c) Inventory turnover ratio
- (d) Return on investment ratio
- (e) Debt ratio

128. Which model/theory of leadership does Kavita Ramakrishnan use, when she determines the effectiveness of decisions as measured by group performance/participation; quality and acceptance?

- (a) House's Path-Goal Theory
- (b) Fiedler's Contingency approach
- (c) Blake and Mouton's Managerial Grid
- (d) Hersey and Blanchard's Situational Leadership Model
- (e) Vroom and Yetton's Normative Decision Model.

129. The bargaining power of buyers, as described by Porter, is high when

- (a) There are only a few players in the industry
- (b) Their purchases form a large chunk of the sellers' total sales
- (c) There are no substitutes for products being purchased
- (d) Products or services are critical to the buyer's business
- (e) There are great differences in products, in terms of features, manufactured by various suppliers.

130. Performance appraisals are important in an organization because they

- I. Provide systematic judgements to support promotions.
- II. Provide a basis for coaching.
- III. Provide a basis for counseling.
- IV. Let subordinates know where they stand with the boss.

- (a) Only (I) above
- (b) Only (II) above
- (c) Both (I) and (IV) above

(d) (I), (III) and (IV) above

(e) All (I), (II), (III) and (IV) above.

Answers

121. Answer : (c)

Reason: The question "in which environment – internal or external – will our plans operate" is asked in the stage/step when an organization is considering planning premises.

122. Answer : (a)

Reason: The purpose of the corporate level strategy is to identify the business areas in which an organization will carry out its operations. Therefore, the corporate level strategy would be appropriate to address the questions facing Ms. Pathak

123. Answer : (c)

Reason: Middle level managers deal with the actual operation of the organization's units.

124. Answer : (c)

Reason: Statements (I) and (II) are objectives of sensitivity training. Sensitivity training involves training in small groups in which people develop a sensitive awareness and understanding of themselves and of their relationships with others. Statement (III) is an objective of university management programs.

125. Answer : (b)

Reason: As per McGregor, Theory X managers assume that people prefer to be directed, wish to avoid responsibility, have little ambition, and above all, want security. Hence, option (b) is not correct about his theory. Options (a), (c), (d) and (e) are all correct about his theory.

126. Answer : (c)

Reason: The Economic Order Quantity (EOQ) is an inventory control method developed to minimize ordering and holding costs, while avoiding stockout costs.

127. Answer : (a)

Reason: Activity ratio tests the relationship between the sales and the various assets of a firm.

128. Answer : (e)

Reason: Kavita Ramakrishnan is using Vroom and Yetton's Normative Decision Model. In this model, the degree of participation of employees in the decision making process is important. Also the acceptance of the decision by subordinates is important.

129. Answer : (b)

Reason: The bargaining power of buyers is high when their purchases form a large chunk of the sellers' total sales. The remaining options are factors that make buying power of suppliers high. Hence, option (b) is the answer.

130. Answer : (e)

Reason: Performance appraisals are important in an organization because they provide systematic judgements to support promotions; provide a basis for coaching; provide a basis for counseling; and let subordinates know where they stand with the boss.

131. Managers at all three levels of management require different kinds of skills to perform the functions associated with their jobs. A major difference in skill requirements between middle level and top-level managers is that

- (a) Top managers must generally be more skilled than middle managers in every respect
- (b) Top managers require better interpersonal skills but less conceptual skills than middle managers
- (c) Top managers generally require better technical and interpersonal skills than middle managers
- (d) Top managers generally require higher level conceptual skills but less technical skills than middle managers
- (e) Middle managers require better technical and conceptual skills than top managers.

132. The behavioral approach of management thoughts can be classified into

I. Bureaucratic management.

II. Group influences.

III. Hawthorne studies.

IV. Contingency theory.

- (a) Both (I) and (II) above
- (b) Both (I) and (III) above
- (c) Both (II) and (III) above
- (d) (I), (II) and (III) above
- (e) (II), (III) and (IV) above.

133. By studying the various approaches to management analysis, we can understand the concept of management and have a better understanding of managerial functions. Which approach to management emphasizes managing people by understanding their individual psychological needs?

- (a) Empirical approach
- (b) Decision theory approach
- (c) Management science approach
- (d) Interpersonal behavior approach
- (e) Contingency approach.

134. Immoral management not only ignores ethical concerns, but also actively opposes ethical behavior. Organizations with immoral management is/are characterized by

- I. Total concern for company profits only.
 - II. Laws are regarded as hurdles to be removed.
 - III. Less inclination to minimize expenditure.
- (a) Only (I) above
 - (b) Only (II) above
 - (c) Both (I) and (II) above
 - (d) Both (I) and (III) above
 - (e) All (I), (II) and (III) above.

135. The communication process is made up of various components. Which of the following is the actual physical product from the source?

- (a) Feedback
- (b) Filter

- (c) Message
- (d) Channel
- (e) Understanding.

136. Practicing ethical guidelines enables managers to become followers of moral management approach. They facilitate ethical business decisions. Which of the following is not an ethical guideline for managers?

- (a) Upholding human dignity
- (b) Obeying the law
- (c) Non-allowance for participation of stakeholders in the decision-making process
- (d) Primum Non-Nocere
- (e) Telling the truth.

137. Despite the many advantages of planning, there may be some obstacles and limitations in this process, since nothing is perfect on this earth, as a general rule of law. Which of the following would not be considered a potential advantage of planning?

- (a) It helps managers to be future oriented
- (b) It enhances decision coordination
- (c) It increases the amount of time available for other managerial functions
- (d) It emphasizes organizational objectives
- (e) It helps in offsetting uncertainty and risk.

138. Which of the following would not be an accurate depiction of the differences between strategic and tactical planning?

- (a) Strategic planning is developed mainly by upper-level management and tactical planning is generally developed by lower-level management
- (b) Facts for strategic planning are generally easier to gather than facts for tactical planning
- (c) Strategic plans generally contain less details than tactical plans
- (d) Strategic plans generally cover a longer period of time than tactical plans
- (e) Managers who are engaged in the development of strategic plans tend to work in more uncertainty than those managers engaged in the development of tactical plans.

139. Using the BCG matrix requires considering which of the following factors?

- (a) Types of risk associated with product development
- (b) Threats that economic conditions can create in future
- (c) Social factors
- (d) Market shares and growth of markets in which products are selling
- (e) Political pressures.

140. Proctor & Gamble (P&G) makes fourteen different laundry soap products and completely dominates the laundry detergent market. Through constant changes in packaging, it is trying to influence the perception of customers that its products are unique. Which of the following generic strategies is P&G using?

- (a) Cost leadership
- (b) Differentiation
- (c) Focus
- (d) Globalization
- (e) Niche strategy.

Answers

131. Answer : (d)

Reason : The major difference in skill requirements between middle and top managers is that top managers generally require higher level conceptual skills but less technical skills than middle managers. Hence, from above discussion, we can infer that option (d) is correct.

132. Answer : (c)

Reason : The behavioral approach of management thoughts can be classified into

- Group influences
- Hawthorne studies.

133. Answer : (d)

Reason : Interpersonal Behavior Approach to management emphasizes managing people by understanding their individual psychological needs. Hence, from above discussion, we can infer that option (d) is correct.

134. Answer : (c)

Reason : Immoral management not only ignores ethical concerns, but also actively opposes ethical behavior. Organizations with immoral management are characterized by:

- Total concern for company profits only.
- Laws are regarded as hurdles to be removed.
- Strong inclination to minimize expenditures.

Hence, option (c) is the correct answer.

135. Answer : (c)

Reason : The communication process is made up of various components. The message is the actual physical product from the source encoding. Hence, from above discussion, we can infer that option (c) is correct.

136. Answer : (c)

Reason : Non-allowance for participation of stakeholders in the decision-making process is not an ethical guideline for managers. Hence from above discussion, we can infer that option (c) is correct. Options (a), (b), (d) and (e) are all ethical guidelines for managers.

137. Answer : (c)

Reason : Planning can be defined as the process by which managers set missions and objectives, assess the future, and develop courses of action to accomplish these objectives. However, it need not increase the

amount of time available for other managerial functions. Hence, from above discussion, we can infer that option (c) is correct. Options (a), (b), (d) and (e) are all potential advantages of planning.

138. Answer : (b)

Reason : Strategic plan is used to establish overall objectives for the organization and position the organization in terms of its environment. Facts for strategic planning are generally more difficult to gather than facts for tactical planning. Hence, from above discussion, we can infer that option (b) is correct.

139. Answer : (d)

Reason : Using the BCG matrix requires considering market shares and growth of markets in which products are selling.

140. Answer : (b)

Reason : In the given example P&G uses the differentiation strategy.

141. The bargaining power of buyers, as described by Porter, is high when

- (a) There are only a few players in the industry
- (b) Their purchases form a large chunk of the sellers' total sales
- (c) There are no substitutes for products being purchased
- (d) Products or services are critical to the buyer's business
- (e) There are great differences in products, in terms of features, manufactured by various suppliers.

142. The conflict-resolution approach that corresponds with a high level of assertiveness and a low level of cooperativeness, is referred to as

- (a) Compromising
- (b) Collaborating
- (c) Forcing
- (d) Avoiding
- (e) Accommodating.

143. Which approach to decision-making under conditions of uncertainty believes that individual attitudes toward risk vary with events, with people and positions?

- (a) Risk analysis
- (b) Risk communication
- (c) Decision trees
- (d) Utility theory
- (e) Game theory.

144. Which of the following are characteristics of a closed system?

- I. It is perfectly deterministic and predictable.
- II. There is no exchange between the system and the external environment.
- III. It is a realistic view.
- IV. It is flexible and adaptable.
- (a) Both (I) and (II) above
- (b) Both (I) and (IV) above

- (c) Both (II) and (III) above
- (d) Both (III) and (IV) above
- (e) (I), (II) and (III) above.

145. Information that originates outside the organization is known as external information. Which of the following is an example of external information in an organization?

- (a) Daily receipts and expenditures
- (b) Salesperson quotas
- (c) Descriptions of customer satisfaction with products and services
- (d) Quantity of an item in hand or in inventory
- (e) Cost and selling price of the company's item.

146. The major disadvantage of the divisional structure is:

- (a) Diseconomies of scale
- (b) Requires people with general managerial capabilities
- (c) Managerial vacuum
- (d) Duplication of activities and resources
- (e) It is slow in responding to changes.

147. Power based upon identification with a person who has desirable resources or personal traits is known as:

- (a) Coercive power
- (b) Legitimate power
- (c) Expert power
- (d) Referent power
- (e) Reward power.

148. Which of the following decision-making models emphasizes short-run solution of a problem rather than long-term goal accomplishment?

- (a) Rational model
- (b) Satisficing model
- (c) Incremental model
- (d) Garbage-can model
- (e) Decision tree.

149. Which of the following is usually the first step followed in the recruitment procedure?

- (a) Designing job description
- (b) Developing a job specification
- (c) Performing job analysis
- (d) Attracting a pool of applicants
- (e) Selecting best recruits.

150. Which of the following is not a part of the human resource management function in most organizations?

- (a) Sanctioning
- (b) Performance appraisal

- (c) Training (d) Human resource planning
(e) Compensation.

Answers:

141. Answer : (b)

Reason : The bargaining power of buyers, as described by Porter, is high when their purchases form a large chunk of the sellers' total sales.

142. Answer : (c)

Reason : The conflict-resolution approach that corresponds with a high level of assertiveness and a low level of cooperativeness, is referred to as Forcing. Hence, from above discussion, we can infer that option (c) is correct.

143. Answer : (d)

Reason : The preference or utility theory is based on the belief that individual attitudes toward risk vary with events, with people and positions.

144. Answer : (a)

Reason : The following statements are characteristics of a closed system :

It is perfectly deterministic and predictable.

There is no exchange between the system and the external environment.

145. Answer : (c)

Reason : Descriptions of customer satisfaction with products and services are examples of external information in an organization. Hence from above discussion, we can infer that option (c) is correct. Options (a), (b), (d) and (e) are all examples of internal information in an organization.

146. Answer : (d)

Reason : Duplication of activities and resources is a major disadvantage of the divisional structure.

147. Answer : (d)

Reason : Power based upon identification with a person who has desirable resources or personal traits is known as referent power.

148. Answer : (c)

Reason : Incremental model emphasizes short-run solution of a problem rather than long-term goal accomplishment. (a) **Rational model** is a model of managerial decision-making, which suggests that managers engage in completely rational decision process, ultimately make optimal decisions and process, and understand all information relevant to their decisions at the time they make them. (b) **Satisficing model** describe the way modern managers must, of necessity, make decisions with incomplete information by choosing from among the few most likely alternatives. (d) **Garbage can model** is a non-rational model of management decision-making stating that managers behave in virtually a random pattern in making non-programmed decisions. (e) **Decision tree** is a quantitative decision-making tool based on a graphic model that displays the structure of a sequence of alternative courses of action and usually shows the payoff associated with various paths and the probabilities associated with future conditions.

149. Answer : (c)

Reason : The Recruitment Procedure consists of the following steps :

Performing Job Analysis.
Designing Job Description.
Developing a Job Specification.
Attracting a Pool of Applicants.
Selecting Best Recruits.

Hence, from above discussion, we can infer that option (c) is correct.

150. Answer : (a)

Reason : Sanctioning means giving formal permission or approval. It not a part of the human resource management function in most organizations. Hence, from above discussion, we can infer that option (a) is correct. Options (b), (c), (d) and (e) are all parts of the human resource management function in most organizations.

151. Which of the following is the first step in formulating a career strategy?

- (a) Development of strategic career alternatives
- (b) Analysis of personal strengths and weaknesses
- (c) Consistency testing and strategic choices
- (d) Implementation of the career plan
- (e) Monitoring progress.

152. Forces/traits within the manager that determine effective leadership behavior include his/her

- I. Values.
 - II. Confidence in subordinates.
 - III. Hunger for power.
 - IV. Aggressiveness.
- (a) Both (I) and (II) above
 - (b) Both (I) and (IV) above
 - (c) Both (III) and (IV) above
 - (d) (I), (II) and (IV) above
 - (e) All (I), (II), (III) and (IV) above.

153. Which of the following is an on-the-job training technique?

- (a) Organizational socialization
- (b) Creation of "assistant-to" positions
- (c) Performance appraisal
- (d) Job enlargement
- (e) Job analysis.

154. According to Maslow, a person who is looking for affection, belongingness, acceptance, and friendship is at which need level?

- (a) Physiological
- (b) Safety

- (c) Social (d) Esteem
(e) Self-actualization.

155. Creativity is an important factor in managing people. Which of the following is not true with regard to the creativity process?

- (a) Creativity is the ability to develop new ideas
(b) The creativity process starts with unconscious scanning
(c) Intuition connects the unconscious with the conscious
(d) Insight leads to intuition
(e) Insight is tested against organizational reality.

156. Which of the following is not one of the leadership styles suggested by path-goal theory?

- (a) Instrumental leadership (b) Benevolent-authoritative leadership
(c) Supportive leadership (d) Participative leadership
(e) Achievement-oriented leadership.

157. Which of the following is not an effective listening technique?

- (a) Avoiding premature evaluation
(b) Avoiding eye contact
(c) Exhibiting affirmative nods and appropriate facial gestures
(d) Finding an area of interest in what the other person is saying
(e) Judging the content of the message, but not the weakness of the speaker.

158. According to "Expectancy Theory", the probability of an individual acting in a particular way depends on

- I. The personality of the individual and the likelihood that it will change.
II. The company and its potential to move in the right direction.
III. The situation.
IV. The strength of that individual's belief that the act will have a particular outcome and on whether the individual values that outcome.
- (a) Only (I) above (b) Only (IV) above
(c) Both (I) and (III) above (d) Both (II) and (IV) above
(e) (I), (III) and (IV) above.

159. Which of the following are reasons why productivity of knowledge workers is more difficult to measure than productivity of industrial workers?

- I. The quality of a knowledge worker's output cannot be determined immediately.

- II. The output of a knowledge worker often contributes only indirectly to the achievement of the end-result.
- III. Upgraded skills of knowledge workers due to rapid technological advances make output measurement difficult.
- IV. Knowledge workers often assist other organizational units and this contribution is difficult to measure.
- (a) Both (I) and (II) above (b) Both (III) and (IV) above
- (c) (I), (II) and (IV) above (d) (II), (III) and (IV) above
- (e) All (I), (II), (III) and (IV) above.

160. Which of the following are the characteristics of the planning process usually adopted in Japanese Management style?

- I. Long-term orientation.**
- II. Individual decision-making.**
- III. Decisions flowing from bottom to top and back.**
- IV. Slow decision-making.**

- (a) Both (I) and (II) above (b) Both (I) and (III) above
- (c) Both (II) and (IV) above (d) (I), (III) and (IV) above
- (e) (II), (III) and (IV) above.

ANSWERS

151. Answer : (b)

Reason : The steps in formulating a career strategy are as follows :

Preparation of a personal profile.
Development of long-range personal and professional goals.
Analysis of the environment.
Analysis of Personal Strengths and Weaknesses.
Development of Strategic Career Alternatives.
Consistency Testing and Strategic Choices.
Development of short-range career objectives and action plans.
Development of contingency plans.
Implementation of the Career Plan.
Monitoring Progress.

Hence, from above discussion, we can infer that option (b) is correct.

152. Answer : (d)

Reason: Forces/traits within the manager that determine effective leadership behavior include his/her

Values.
Confidence in subordinates.
Aggressiveness.

153. Answer : (c)

Reason : Creation of “assistant-to” positions is an on-the-job training technique.

154. Answer : (c)

Reason : According to Maslow, a person who is looking for affection, belongingness, acceptance, and friendship is said to be having a social need.

155. Answer : (d)

Reason : Creativity is the ability to develop new ideas. The creative process comprises four phases: unconscious scanning, intuition, insight, and logical formulation. Intuition connects the unconscious with the conscious, and leads to insight. In the final phase of the creative process, insight is tested against organizational reality.

156. Answer : (b)

Reason : Path-goal theory suggests four types of leadership : Instrumental, supportive, participative, and achievement-oriented leadership.

157. Answer : (b)

Reason : Avoiding eye contact is not an effective listening technique. Effective listening requires eye contact. Hence, from above discussion, we can infer that option (b) is not an effective listening technique. Options (a), (c), (d) and (e) are all effective listening techniques.

158. Answer : (b)

Reason : According to "**expectancy theory**", the probability of an individual acting in a particular way depends on the strength of that individual's belief that the act will have a particular outcome and on whether the individual values that outcome. Hence option (b) is the correct answer.

159. Answer : (c)

Reason : The following are reasons why productivity of knowledge workers is more difficult to measure than productivity of industrial workers :

The quality of a knowledge worker's output cannot be determined immediately.

The output of a knowledge worker often contributes only indirectly to the achievement of the end result.

Knowledge workers often assist other organizational units and this contribution is difficult to measure.

160. Answer : (d)

Reason : The characteristics of the planning process usually adopted in Japanese Management style are : (1) Long-term orientation, (2) Collective decision-making, (3) Decisions flowing bottom to top and back, (4) Slow decision-making. Hence, (d) is the correct answer.

161. Which of the following skills is most important for first level managers and includes knowledge of and proficiency in activities involving methods, processes and procedures?

- (a) Human (b) Conceptual (c) Design
(d) Technical (e) Administrative.

162. The Gantt Chart (invented by Henry L. Gantt), still used today in the production planning area of many organizations was the first simple visual device to maintain production control. It is essentially a bar graph with

- Time on the horizontal axis; the activities to be scheduled on the vertical axis
- Time on the vertical axis; project completion on the horizontal axis

- (c) Time on the horizontal axis; project completion on the vertical axis
- (d) Time on the vertical axis; the activities to be scheduled on the horizontal axis
- (e) Time on either axis; the activities to be scheduled on the other axis.

163. Controls can be classified based on timing or stage in the production process. Which of the following statements is not true about the various types of controls?

- (a) Steering controls are used following completion of activity
- (b) Preventive controls are used prior to the start of activity and feedback controls follow completion of activity
- (c) Concurrent controls are used during the performance of activity and feedforward controls prior to start of activity
- (d) Quality control tests of output are an example of concurrent control
- (e) Comparison of employee input per hour with established standards is an example of steering control.

164. Which of the following arguments against a firm being socially responsible indicates the belief that businesses are being socially responsible when they attend only to economic interests?

- (a) Too much power
- (b) Violation of profit maximization
- (c) Excessive costs
- (d) Lack of social skills
- (e) Lack of accountability.

165. Practicing ethical guidelines enables managers to become followers of moral management approach. They facilitate ethical business decisions. Which of the following is not an ethical guideline for managers?

- (a) Upholding human dignity
- (b) Obeying the law
- (c) Non-allowance for participation of stakeholders in the decision-making process
- (d) Primum Non-Nocere
- (e) Telling the truth.

166. The most general form of standing plans that specifies the broad parameters within which organization members are expected to operate in pursuit of organizational goals are called

- (a) Procedures
- (b) Programmes
- (c) Single-use plans
- (d) Policies
- (e) Rules.

167. Programmes and budgets are examples of

- (a) Single-use plans
- (b) Standing rules
- (c) Procedures
- (d) Gantt chart components
- (e) Critical paths.

168. Management by Objectives (MBO) is a joint setting of goals and objectives by superiors and subordinates. If you were responsible for setting up an MBO program, which of the following steps would you need to complete before the others?

- (a) Establish specific goals for various departments, subunits and individuals
- (b) Formulate action plans
- (c) Clarify organizational roles
- (d) Implement and maintain self-control
- (e) Do performance appraisal.

169. Which of the following is not true regarding programmed decisions?

- (a) They are made in well-structured situations
- (b) They are based on established policies and procedures
- (c) They require managers to exercise discretion
- (d) They are made mostly by lower-level managers
- (e) They limit the managers' flexibility.

170. Direct control is the control that is exercised after the deviations from plans have occurred. Which of the following is not the underlying assumption of direct control?

- (a) Performance can be measured
- (b) Personal responsibility is absent
- (c) The time expenditure is warranted
- (d) Mistakes can be discovered in time
- (e) The individual who is responsible will take corrective steps.

Answers

161. Answer : (d)

Reason : Technical skills are most important for first level managers and include knowledge of and proficiency in activities involving methods, processes, and procedures.

162. Answer : (a)

Reason : A Gantt chart is essentially a bar graph with time on the horizontal axis and the activities to be scheduled on the vertical axis. Hence from above discussion, we can infer that option (a) is correct.

163. Answer : (a)

Reason : Steering controls are used during the performance of activity. So option (a) is the answer.

164. Answer : (b)

Reason : The belief that businesses are being socially responsible when they attend only to economic interests is known as "Violation of profit maximization" argument against a firm being socially responsible. Hence from above discussion, we can infer that option (b) is correct.

165. Answer : (c)

Reason : Non-allowance for participation of stakeholders in the decision-making process is not an ethical guideline for managers. Hence from above discussion, we can infer that option (c) is correct. Options (a), (b), (d) and (e) are all ethical guidelines for managers.

166. Answer : (d)

Reason : The most general form of standing plans that specifies the broad parameters within which organization members are expected to operate in pursuit of organizational goals are called policies.

167. Answer : (a)

Reason : Programmes and budgets are examples of single-use plans.

168. Answer : (c)

Reason : MBO (Management By Objectives) is the process of joint setting of goals/objectives by the superior and the subordinate, and clarifying on the objective itself.

The various steps in the MBO Process are:

Develop overall organizational goals.

Clarify organizational roles.

Establish specific goals for various departments, subunits and individuals.

Formulate action plans.

Implement and maintain self-control.

Do periodic review.

Do performance appraisal.

Hence, from above discussion, we can infer that option (c) is correct.

169. Answer : (c)

Reason : Programmed decisions require managers to exercise little discretion.

170. Answer : (b)

Reason : The underlying assumptions of direct control are:

Performance can be measured.

Personal responsibility exists.

The time expenditure is warranted.

Mistakes can be discovered in time.

The individual who is responsible will take corrective steps.

Hence, from above discussion, we can infer that option (b) is not the underlying assumption of direct control. Options (a), (c), (d) and (e) are all underlying assumptions of direct control.

171. Xeta Electronics Ltd. is faced with the problem of allocating resources to its newly set up computer peripherals division, because of some practical constraints like limited availability of resources, time, man-hours etc. Which of the following decision-making techniques can help it solve the problem?

(a) Linear Programming

(b) Decision tree

(c) Simulation

(d) Waiting-line method

(e) Game theory.

172. The concept of span of management concerns

(a) Seeing that managers at the same level have equal numbers of subordinates

(b) Employee skill and motivation levels

- (c) Supervision of one less than the known number of subordinates
- (d) A determination of the number of individuals a manager can effectively supervise
- (e) The nature of organization structure.

173. Several fundamental aspects pertaining to the organization need to be considered to describe the process of organizing. Which of the following steps are involved in the process of organizing?

- I. The objectives of the organization should be established.
 - II. The supportive objectives and plans should be formulated.
 - III. Emphasis on extreme occupational specialization.
 - IV. Authority should be delegated to the head of each group to perform their activities.
- (a) Both (I) and (II) above
 - (b) Both (II) and (III) above
 - (c) Both (II) and (IV) above
 - (d) (I), (II) and (III) above
 - (e) (I), (II) and (IV) above.

174. There are three major forms of divisional structures: product division, geographic division and customer division. Which of the following statements is not true about Customer Division or Departmentation?

- (a) It is set up to service particular types of clients or customers
- (b) It can address the special and widely varied needs of customers for clearly defined services
- (c) It is accompanied by the benefits of specialization
- (d) Coordination between sales and other functions becomes easier
- (e) Facilities and manpower, specialized for certain customer groups may be under-employed.

175. A matrix structure is a type of departmentalization that superimposes a horizontal set of divisional reporting relationships into a hierarchical functional structure. The major disadvantage of the matrix structure is

- (a) Duplication of resources
- (b) Lack of employee satisfaction
- (c) Lack of economies of scale
- (d) Its propensity to foster power, struggles
- (e) Monotony of work.

176. Which of the following management information systems is an interactive computer system that provides managers with the necessary information for making intelligent decisions?

- (a) Transaction processing system
- (b) Decision support system
- (c) Office automation system
- (d) Executive support system
- (e) Line support system.

177. Which of the following statements is not true of internationalization of organizations?

- (a) To reach organizational objectives, management may extend its activities to include an emphasis on organizations in foreign countries

- (b) In general, the larger the organization, the greater the likelihood that it participates in international activities of some sort
- (c) A manager's failure to understand different national sovereignties, national conditions, and national values and institutions can lead to poor investment decisions
- (d) Personal adjustments that employees of multinational corporations must make can influence how productively they work
- (e) Generally speaking, a multinational organization transcends any home country, whereas a transnational organization does not.

178. Which of the following can be said to be an appropriate technique for line personnel in reducing the line-staff conflict?

- (a) Emphasize the objectives of the organization as a whole
- (b) Make proper use of the staff abilities
- (c) Obtain any necessary skills they do not already possess
- (d) Deal intelligently with resistance to change rather than view it as an immovable barrier
- (e) Ignore the abilities of the staff personnel.

179. From the delegator's aspect, all of the following are the factors affecting the delegation of authority except

- (a) Love for authority (b) Fear of exposure
- (c) Attitude towards subordinates (d) Fear of criticism
- (e) Personality traits of the superiors.

180. The characteristic of an organization that describes the degree to which the organization monitors and responds to changes in the external environment is termed as

- (a) Open-systems focus (b) Means-end orientation (c) Control
- (d) Unit integration (e) Closed-system focus.

Answers

171. Answer : (a)

Reason : Linear programming is a mathematical technique used in optimum allocation of resources in the organization.

Decision tree is a graphical method for identifying alternative actions, estimating probabilities, and indicating the resulting expected pay-off.

Simulation is the technique of developing a model that represents a real or existing system for solving complex problems that cannot be readily solved by other techniques.

Waiting-line or queuing model is a mathematical model that describes the operating characteristics of queuing situations, in which service is provided to persons or units waiting in line.

Game theory is a technique for determining the strategy that is likely to produce maximum profits in a competitive situation.

172. Answer : (d)

Reason : The concept of span of management concerns a determination of the number of individuals a manager can effectively supervise.

173. Answer : (e)

Reason : Several fundamental aspects pertaining to the organization need to be considered to describe the process of organizing. It follows a logical sequence and consists of the following steps.

The objectives of the organization should be established.

The supportive objectives and plans should be formulated.

Authority should be delegated to the head of each group to perform their activities.

174. Answer : (d)

Reason : Customer Departmentation is done to service particular types of clients or customers.

Coordination between sales and other functions becomes difficult, as Customer-based Departmentation is applicable only to the sales function.

Hence from above discussion, we can infer that option (d) is not true about Customer Departmentation.

Options (a), (b), (c) and (e) are all true about Customer Departmentation.

175. Answer : (d)

Reason : The major disadvantage of the matrix structure is its propensity to foster power struggles.

176. Answer : (b)

Reason: Decision support system is an interactive computer system that provides managers with the necessary information for making intelligent decisions.

177. Answer : (e)

Reason : Generally speaking, a transnational organization transcends any home country, whereas a multinational organization does not.

178. Answer : (b)

Reason : Making proper use of the staff abilities is an appropriate technique for line personnel in reducing line-staff conflict. Hence, from above discussion, we can infer that option (b) is correct.

179. Answer : (d)

Reason : From the delegator's aspect, all of the following are the factors affecting the delegation of authority except Fear of criticism.

180. Answer : (a)

Reason : Open-system focus is characteristic of organization that describes the degree to which the organization monitors and responds to changes in the external environment.

181. Every organization structure, even a poor one, can be charted. Which of the following is false with respect to an organization Chart?

- (a) It is a vital tool for providing information about organizational relationships
- (b) It provides a visual map of the chain of command

- (c) Charting an organization structure can show up the complexities and inconsistencies, which can be corrected
- (d) It shows authority relationships as well as informal and informational relationships
- (e) It helps managers and new personnel to know how and where they fit into the organization structure.

182. Modern organizations have been trying to create a corporate culture with a distinct identity by moulding the behaviours of their members. Which of the following is not a feature of organizational culture?

- (a) It is based on certain norms
- (b) It promotes dominant and stable values
- (c) It shapes philosophy and rules
- (d) It focuses on profit
- (e) It leads to observed behavioural regularities.

183. Manager Inventory Chart, also known as replacement chart, is used in Replacement Planning of human resource management in an organization. Which of the following is not an advantage of Manager Inventory Chart?

- (a) It gives an overview of the human resource situation of an organization
- (b) It shows the future internal supply of managers by indicating who is promotable in a year
- (c) It shows the position to which a manager may be promoted
- (d) Managers who are ready for promotion can be easily identified
- (e) Managers who do not perform satisfactorily can be identified and the need for training or replacement is needed.

184. There are few means of assessing internal labor supply. Which of the following does not pertain to skills inventory while assessing internal labor supply?

- (a) Employee skill
- (b) Employee interest
- (c) Employee turnover
- (d) Employee performance
- (e) Employee knowledge.

185. Which of the following conflict resolution techniques implies emphasizing the areas of agreement and common goals and de-emphasizing disagreements?

- (a) Problem Solving
- (b) Forcing
- (c) Smoothing
- (d) Compromise
- (e) Avoidance.

186. There can be different sources of resistance to change. For analytical purposes, they can be categorized as individual and organizational sources. Which of the following is an organizational source of resistance to change?

- (a) Habit
- (b) Structural inertia
- (c) Security
- (d) Fear of the unknown
- (e) Selective information processing.

187. Creative thoughts are the result of hard work and there are various techniques to foster creativity. Which of the following is one of the best-known techniques for facilitating creativity, developed by Alex F. Osborn?

- (a) Brainstorming
- (b) Synectics
- (c) Delphi Technique
- (d) Nominal Group Technique
- (e) Simulation.

188. Maslow's Hierarchy of Needs Theory argues that needs form a five-level hierarchy. Which of the following needs, as classified by Maslow, is at the bottom of the hierarchy?

- (a) Security needs
- (b) Social needs
- (c) Physiological needs
- (d) Esteem needs
- (e) Self-actualization needs.

189. According to Hersey and Blanchard, when followers are in the initial "readiness" stage, the leader's behavior should be

- (a) High task and high relationship
- (b) High task and low relationship
- (c) Low task and low relationship
- (d) Low task and high relationship
- (e) High task and medium relationship.

190. Communication can well be treated as the force that brings the organizational participants together. We cannot expect effective management without communication. Which of the following factors does not help in effective communication?

- (a) Consider the total physical and human setting whenever you communicate
- (b) Consult with others, when appropriate, in planning communications
- (c) Follow up your communication
- (d) Focus the communication primarily at meeting the demands of an immediate situation
- (e) Look for the central idea in the communication process

Answers

181. Answer : (d)

Reason : Organization Chart is a vital tool for providing information about organizational relationships.

It shows authority relationships and neglects significant informal and informational relationships. Hence from above discussion, we can infer that option (d) is false with respect to Organization Chart. Options (a), (b), (c) and (e) are all true with respect to Organization Chart.

182. Answer : (d)

Reason : Organizational Culture is the collection of shared beliefs, values, rituals, stories, myths and specialized language that foster a feeling of community among organization members. It does not focus on profit. Hence, from above discussion, we can infer that option (d) is not a feature of Organizational Culture. Options (a), (b), (c) and (e) are all characteristics of Organizational Culture.

183. Answer : (c)

Reason: Manager Inventory Chart is a partial organization chart that shows managerial positions, current incumbents, potential replacements for each position, and the age of each person. However, it does not show the position to which a manager may be promoted. Hence, from above discussion, we can infer that option (c) is not an advantage of Manager Inventory Chart. Options (a), (b), (d) and (e) are all advantages of Manager Inventory Chart.

184. Answer : (c)

Reason : A skills inventory is a computerized database consisting of information regarding an employee, his skills, experience, interests, performance and other relevant personal characteristics. However, skills inventory does not provide any information about employee turnover.

185. Answer : (c)

Reason : Smoothing conflict resolution technique implies emphasizing the areas of agreement and common goals and de-emphasizing disagreements. Hence, from above discussion, we can infer that option (c) is correct.

186. Answer : (b)

Reason : Structural inertia is an organization's built-in mechanism to produce stability. e.g., formal rules and procedures for employees to follow. When an organization is confronted with change, this structural inertia acts as a counterbalance to sustain stability. Hence, from above discussion, we can infer that option (b) is correct. Options (a), (c), (d) and (e) are all individual sources of resistance to change.

187. Answer : (a)

Reason : Brainstorming is one of the best-known techniques for facilitating creativity, developed by Alex F. Osborn. Hence, from above discussion, we can infer that option (a) is correct.

188. Answer : (c)

Reason : According to Maslow's Hierarchy of Needs Theory, physiological needs are the basic needs of food, clothing and shelter. These needs are at the bottom of the hierarchy. Hence, from above discussion, we can infer that option (c) is correct.

189. Answer : (b)

Reason : According to Hersey and Blanchard, when followers are in the initial "readiness" stage, the leader's behavior should be one of high task and low relationship.

190. Answer : (d)

Reason : According to **L.A. Allen**, communication involves a systematic and continuous process of telling, listening and understanding. Focusing the communication primarily at meeting the demands of an immediate situation is not a factor, which helps, in effective communication. Hence, from above discussion, we can infer that option (d) does not help in effective communication. All other options are factors, which help, in effective communication.

191. It is a normal practice to categorize management into three basic levels: top management, middle management and supervisory or first-level management. The managers at these three levels require different kinds of skills to perform the functions associated with their jobs. The major difference in skill requirements between middle and top managers is that

(a) Top managers must generally be more skilled than middle managers in every respect

(b) Top managers require better interpersonal skills but less conceptual skills than middle managers

- (c) Top managers generally require better technical and interpersonal skills than middle managers
- (d) Top managers generally require higher level conceptual skills but less technical skills than middle managers
- (e) Middle managers require better technical and conceptual skills than top managers.

192. According to the Scientific Management School of Thought, which of the following is defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of a specified activity to bring about improvement?

- (a) Work methods study (b) Micromotion study
- (c) Time study (d) Motion study
- (e) Performance study.

193. Today, many organizations are involved in social activities. The belief that businesses are being socially responsible when they attend only to economic interests is known as which argument against a firm being socially responsible?

- (a) Too much power (b) Violation of profit maximization
- (c) Excessive costs (d) Lack of social skills
- (e) Lack of accountability.

194. Which of the following are elements that aid in strategy implementation include bonuses, awards and promotions?

- (a) Technology (b) Human resources
- (c) Rewards system (d) Decision processes
- (e) Structure.

195. Which of the following is/are subsystem(s) that are frequently an integral part of 'Management by Objectives (MBO)'?

- I. Manpower planning. II. Compensation.
- III. Organization design. IV. Operations research.
- (a) Only (III) above
- (b) Both (I) and (II) above (c) Both (III) and (IV) above
- (d) (I), (II) and (III) above (e) (I), (II) and (IV) above.

196. When decision makers construct simplified models that extract the essential features from a problem without capturing all the complexities of a problem, they are acting under which of the following?

- (a) Bounded rationality (b) Unbounded rationality
- (c) Uncertainty (d) Heuristics
- (e) Kinesics.

197. There are both advantages and disadvantages of group decision-making. Which of the following would generally not be considered an advantage of group decision-making?

- (a) Groups generally come up with more and better decision alternatives than an individual can
- (b) The members of the group tend to support the implementation of the decision more fervently than they would if the decision had been made by an individual
- (c) A group can bring much more information and experience to bear on a decision or problem than an individual acting alone
- (d) The group is more likely to use "groupthink" when coming to a decision
- (e) A group is able to give different perspectives to a problem.

198. Rate of change is one of the factors that determines effective span of management. Changes occur more rapidly in certain organizations than in others. This rate of change

- (a) Determines how efficient subordinates are without guidance from their superiors
- (b) Enables subordinates to clearly understand what is expected of them
- (c) Determines the degree to which policies can be formulated and the stability that can be achieved in the policies
- (d) Helps identify deviation in plans
- (e) Determines effectiveness of communication techniques.

199. Which of the following are the generic strategies suggested by Porter that might adopt to make their organizations more competitive?

- | | |
|-----------------------|----------------------|
| I. Divestiture. | II. Focus. |
| III. Cost leadership. | IV. Differentiation. |
- (a) Only (II) above
 - (b) Both (I) and (II) above
 - (c) Both (III) and (IV) above
 - (d) (II), (III) and (IV) above
 - (e) All (I), (II), (III) and (IV) above.

200. Divisional structure is a type of departmentation in which positions are grouped according to similarity of products, services or markets. Which of the following is not an advantage of divisional Structure?

- (a) Each unit or division can respond or react quickly, when required, because they normally do not need to coordinate with other divisions before taking an action
- (b) Coordination is simplified as each division is similar to an organization, containing the various functions within it
- (c) Individuals are able to develop in-depth areas of specialization to the same extent as in a functional structure
- (d) It helps the organization to focus on serving a particular customer
- (e) It helps to fix responsibility and accountability for performance.

Answers

191. Answer : (d)

Reason : The major difference in skill requirements between middle and top managers is that top managers generally require higher level conceptual skills but less technical skills than middle managers.

Hence, from above discussion, we can infer that option (d) is correct.

192. Answer : (a)

Reason : According to the Scientific Management School of Thought, Work Methods Study is defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of a specified activity to bring about improvement.

Hence, from above discussion, we can infer that option (a) is correct.

193. Answer : (b)

Reason : The belief that businesses are being socially responsible when they attend only to economic interests is known as "Violation of profit maximization" argument against a firm being socially responsible.

Hence from above discussion, we can infer that option (b) is correct.

194. Answer : (c)

Reason : Bonuses, awards and promotions form part of the rewards system.

195. Answer : (b)

Reason : The following are subsystems that are frequently an integral part of 'management by objectives':

- I. Manpower planning.
- II. Compensation.

196. Answer : (a)

Reason : When decision makers construct simplified models that extract the essential features from a problem without capturing all the complexities of a problem, they are acting under bounded rationality.

197. Answer : (d)

Reason: Sometimes cohesive "in groups" let the desire for unanimity override sound judgment when generating and evaluating alternative courses of action.

Hence, from above discussion, we can infer that option (d) would generally not be considered an advantage of group decision-making.

Options (a), (b), (c) and (e) are all advantages of group decision-making.

198. Answer: (c)

Reason: Rate of change determines the degree to which policies can be formulated and the stability that can be achieved in the policies.

199. Answer : (d)

Reason : The generic strategies developed by Porter to illustrate the kind of strategies managers might develop to make their organizations more competitive are as follows:

Cost leadership.
Differentiation.
Focus.

Hence, from above discussion, we can infer that option (d) is correct.

200. Answer : (c)

Reason: Divisional Structure is a type of departmentation in which positions are grouped according to similarity of products, services or markets.

Individuals are unable to develop in-depth areas of specialization to the same extent as in a functional structure.

Hence from above discussion, we can infer that option (c) is not an advantage of divisional structure.

Options (a), (b), (d) and (e) are all advantages of divisional structure.

201. Delegate means to grant or confer on subordinates certain tasks and duties along with sufficient authority, to accomplish these. Which of the following points is most likely to increase the effectiveness of delegation?

- (a) Detail how the required tasks are to be completed for the subordinate
- (b) Predetermine the desired results and performance standards for the delegated task
- (c) Explain the relevance of delegated tasks to larger projects or to department or organization goals
- (d) Maintain the authority necessary to accomplish the main tasks
- (e) Retain the decision-making power for the delegated tasks.

202. Which of the following is/are reason(s) for line-staff conflict from the view point of staff personnel?

- I. Line managers do not seek input from staff personnel.
 - II. Staff function dilutes the line manager's authority.
 - III. Line managers resist new ideas.
 - IV. Staff personnel lack a first-hand experience of operations.
- (a) Only (I) above
 - (b) Only (IV) above
 - (c) Both (I) and (III) above
 - (d) Both (II) and (IV) above
 - (e) (I), (II) and (III) above.

203. In modern times, organizations have been trying to create a corporate culture with a distinct identity by molding the behavior of their members. The original source of an organization's culture is most strongly associated with

- (a) Overseas influences
- (b) Political factors in the external environment
- (c) General economic trends
- (d) The vision of the organization's founder(s)
- (e) The make-up of organizational members when the organization was established.

204. The selection process involves choosing the candidates who best meet the qualifications and have the greatest aptitude for the job. Different kinds of selection devices are used for the purpose. Which of the following selection devices involves presenting applicants with a miniature model of a job and have them perform a task that is central to that job?

- (a) Personality test
- (b) Work sampling test
- (c) Application blank
- (d) Knowledge test
- (e) Intelligence test.

205. The success of an organization greatly depends on the decisions that managers make. What are the three decision-making conditions, which managers deal with, in analyzing decision alternatives?

- (a) Certainty, uncertainty, risk
- (b) Certainty, uncertainty, maximax
- (c) Certainty, minimax, risk
- (d) Maximax, uncertainty, risk
- (e) Maximax, certainty, risk.

206. Apart from on-the-job training, there are many other approaches to manager development. Development of organizing and intervening skills in group processes, usually takes place in case of

- (a) Sensitivity training
- (b) Survey feedback
- (c) Team building
- (d) Process consultation
- (e) Cooptation.

207. Every organization makes minor structural adjustments in reaction to changes. The forces of change can be internal or external to the organization. Which of the following is not an internal force of change?

- (a) Organizational strategy
- (b) Technology
- (c) Employee attitude
- (d) Organizational culture
- (e) Workforce.

208. Lyman Porter and his colleagues classified the underlying nature of people into six models. Which of the following views proposes that people are unpredictable, subjective, relative and unique in nature?

- (a) Rational
- (b) Emotional
- (c) Behavioristic
- (d) Self-actualizing
- (e) Phenomenological.

209. Different behavioral scientists have developed different theories on motivation. One such behavioral scientist by the name of Herzberg gave the two-factor theory of motivation. According to Herzberg's motivation-hygiene theory, which of the following are hygiene factors?

- (a) Personal life, security, salary and recognition
- (b) Advancement, salary, status, company policy
- (c) Relationship with peers, status, supervision and security
- (d) Working conditions, relationship with subordinates, supervision and work itself
- (e) Responsibility, salary, status, company policy.

210. The managerial grid identified five specific leadership styles. Which leader believes that thoughtful attention to the needs of people for a satisfying relationship leads to a comfortable, friendly organizational atmosphere and work tempo?

- (a) Task
- (b) Middle of the road
- (c) Country club
- (d) Team
- (e) Impoverished.

Answers

201. Answer : (c)

Reason: Delegate means to grant or confer. Thus, a manager grants or confers on subordinates certain tasks and duties along with sufficient authority, to accomplish these.

Explaining the relevance of delegated tasks to larger projects or to department or organization goals is most likely to increase the effectiveness of delegation.

Hence, from above discussion, we can infer that option (c) is correct.

202. Answer : (c)

Reason : The following are reasons for line-staff conflict from the viewpoint of staff personnel:

Line managers do not seek input from staff personnel.
Line managers resist new ideas.

Statement (II) and (IV) are reasons for line-staff conflict from the viewpoint of line personnel.

203. Answer : (d)

Reason: The original source of an organization's culture is most strongly associated with the vision of the organization's founder(s).

Hence, from above discussion, we can infer that option (d) is correct.

204. Answer : (b)

Reason: Work Sampling Test is a selection device which involves presenting applicants with a miniature model of a job and has them perform a task that is central to that job.

Hence, option (b) is correct.

205. Answer : (a)

Reason : The three decision-making conditions, which managers face in analyzing decision alternatives are certainty, uncertainty and risk.

Hence, from above discussion, we can infer that option (a) is correct.

206. Answer : (a)

Reason: Sensitivity training is concerned with (i) better understanding of group processes, (ii) development of organizing and intervening skills in group processes and (iii) better insight into one's own behavior and the way one is viewed by others. Hence, option (a) is correct.

207. Answer : (b)

Reason: Technology is an external force of change.

Hence, option (b) is not an internal force of change.

Options (a), (c), (d) and (e) are all internal forces of change.

208. Answer : (e)

Reason: The phenomenological view proposes that people are unpredictable, subjective, relative and unique in nature.

209. Answer : (c)

Reason: According to Herzberg's motivation-hygiene theory, relationship with peers, status, supervision and security are the four responses that are all hygiene factors.

Hence, option (c) is correct.

210. Answer : (c)

Reason: According to the managerial grid, the country club leader believes that thoughtful attention to the needs of people for a satisfying relationship leads to a comfortable, friendly organizational atmosphere and work tempo.

211. The Managerial Grid, propounded by Blake and Mouton, is based on a manager's concern for people and concern for production. The most effective management style as characterized by the Managerial Grid is

- (a) High concern for people and low concern for production
- (b) High concern for people and high concern for production
- (c) Low concern for people and high concern for production
- (d) Low concern for people and low concern for production
- (e) Moderate concern for people and moderate concern for production.

212. In an effective organization, information flows in various directions. Which of the following information flows takes place among persons at different levels, who have no direct relationships?

- (a) Downward
- (b) Upward
- (c) Horizontal
- (d) Diagonal
- (e) Formal.

213. Which of the following is a measure of how appropriate organizational goals are, and how well an organization is achieving those goals?

- (a) Competitor analysis
- (b) Environmental scanning
- (c) Situational effectiveness
- (d) Organizational effectiveness
- (e) SWOT analysis.

214. Financial ratios are particularly important to managerial control in an organization. One such financial ratio, viz., return on investment, is a ratio that attempts to measure a firm's

- (a) Leverage
- (b) Profitability
- (c) Liquidity
- (d) Reliability
- (e) Serviceability.

215. According to the Tannenbaum and Schmidt model of leadership, which of the following statement(s) describe more of a boss centered leadership?

- I. A manager more likely asks the group to make a decision.
 - II. A manager permits subordinates to function within limits.
 - III. A manager more likely "sells" the decision.
 - IV. A manager presents ideas and invites questions.
- (a) Only (III) above
 - (b) Both (I) and (II) above
 - (c) Both (II) and (III) above
 - (d) Both (III) and (IV) above
 - (e) (I), (II) and (IV) above.

216. The process of assessing the organization's strategy and environmental demands and then determining the appropriate organizational structure is called

- (a) Organizational development
- (b) Organizational design
- (c) Organizational chart
- (d) Organizational theory
- (e) Organizational culture.

217. Hazard Analysis and Critical Control Point Method (HACCP) is used in the food manufacturing industry to identify and prevent microbial and other germs from causing harm to food. Which of the following principles involves identification of preventive measures the manufacturing units can adopt, to control food safety hazards that arise during processing?

- (a) Hazard analysis
- (b) Identifying control points
- (c) Critical limits
- (d) Establish corrective actions
- (e) Establishing procedures to ensure correct working.

218. Management Information System (MIS) helps the manager to discharge his/her managerial functions in a more efficient manner. The first necessary step to effectively operate an MIS is

- (a) Summarizing data
- (b) Analyzing data

- (c) Determining information needs (d) Gathering appropriate information
(e) Generating reports from gathered data.

219. Which of the following statements is/are true about executive support systems?

- I. They provide market intelligence, investment intelligence and technology intelligence.
II. They make greater use of analytical models and are less interactive.
III. They support decision-making at the top level of management.
- (a) Only (I) above (b) Only (II) above
(c) Only (III) above (d) Both (I) and (III) above
(e) All (I), (II) and (III) above.

220. In which of the following orientations toward international business, does a firm analyze the needs of customers worldwide and then adopts standardized practices for all the markets it serves?

- (a) Ethnocentric (b) Polycentric
(c) Geocentric (d) Regiocentric
(e) Unicentric.

Answers

211. Answer : (b)

Reason: According to the Managerial Grid, propounded by Blake and Mouton, the most effective management style is characterized by high concern for people and high concern for production.

Hence, option (b) is correct.

212. Answer : (d)

Reason: Diagonal information flow takes place among persons at different levels who have no direct relationships.

Hence, option (d) is correct.

213. Answer : (d)

Reason: Organizational effectiveness is a measure of how appropriate organizational goals are, and how well an organization is achieving those goals.

Hence, option (d) is correct.

214. Answer : (b)

Reason: Return on investment is the ratio of earnings before taxes to that of total assets. So, it attempts to measure profitability.

Hence, option (b) is correct.

215. Answer : (d)

Reason : According to the Tannenbaum and Schmidt model of leadership, the following statements describe more of a boss centered leadership

- A manager more likely "sells" the decision.
- A manager presents ideas and invites questions.

The other two statements describe the subordinate centered leadership.

216. Answer : (b)

Reason : The process of assessing the organization's strategy and environmental demands and then determining the appropriate organizational structure is called organizational design.

217. Answer : (a)

Reason: Hazard analysis involves identification of preventive measures the manufacturing units can adopt, to control food safety hazards that arise during processing.

218. Answer : (c)

Reason: MIS (Management Information System) can be defined as an integrated, user-machine system for providing information to support managerial, operational and decision-making functions in an organization.

The first necessary step to effectively operate an MIS is determining information needs.

Hence, option (c) is correct.

219. Answer : (d)

Reason : The following statements are true about executive support systems:

They provide market intelligence, investment intelligence and technology intelligence.
They support decision-making at the top level of management.

The executive support systems make less use of analytical models and are highly interactive. Hence, statement (II) is not true about ESS.

220. Answer : (c)

Reason: In the geocentric orientation toward international business, a firm analyzes the needs of customers worldwide and then adopts standardized practices for all the markets it serves.

221. According to which of the following management approaches, does managerial practice depend on circumstances?

- (a) Systems approach
- (b) Contingency approach
- (c) Mc Kinsey's 7-S framework
- (d) Empirical approach
- (e) Human relations approach.

222. Five different workers perform different tasks contributing to completion of one specific job for instance preparing a Big Mac at McDonald's. This division of labour refers to which of Fayol's principles of management?

- (a) Work specialization
- (b) Scalar chain
- (c) Order
- (d) Authority and responsibility

(e) Centralization.

223. Managers' making ethical decisions may belong to any of the three levels of moral development. Which of the following stages describes the pre-conventional level of moral development?

- (a) Following rules only when it is in one's immediate interest
- (b) Living up to what is expected by people who are close to oneself
- (c) Maintaining conventional order by fulfilling obligations to which one has agreed
- (d) Valuing rights of others, and upholding non-relative values and rights, regardless of the majority's opinion
- (e) Following self-chosen ethical principles even if they violate the law.

224. The only thing that is permanent in this world is change. A change is bound to occur in the internal environment or external environment, no matter what management does. Planning can't eliminate change, but managers usually plan in order to

- (a) Decide what needs to be done when a change in environment takes place
- (b) Anticipate changes and develop the most-effective response to changes
- (c) Have the appropriate materials available when the demand for them comes about
- (d) Be prepared for when changes in management at the top occur
- (e) Recruit new people if old employees leave.

225. As an organization grows in size and complexity, specialization of various tasks becomes a necessity, in most of the cases. Which of the following refers to the tendency of a system to move towards increased specialization of various tasks?

- (a) Equifinality
- (b) Focus
- (c) Differentiation
- (d) Dynamic Homeostasis
- (e) Cost leadership.

226. In order to understand the opportunities and threats faced by an organization, managers should analyze their organization's environment. Various tools available for the purpose, what are the three most effective tools that managers can use to analyze the organization's environment?

- (a) Benchmarking, planning and evaluating
- (b) Environmental scanning, forecasting and benchmarking
- (c) Strategic planning, environmental scanning and TQM
- (d) Forecasting, budgeting and time management
- (e) Strategic planning, environmental scanning and management control.

227. Companies identify their strengths, weaknesses, opportunities and threats in the business environment through SWOT analysis. Which of the following constitutes 'potential resource weaknesses' for an organization?

- I. A weak balance sheet burdened with too much debt.

- II. Loss of sales to substitute products.
- III. Sub par e-commerce systems and capabilities relative to rivals.
- IV. Costly new regulatory requirements.
- V. Not attracting customers as rapidly as rivals due to ho-hum product attributes.
- (a) Both (I) and (II) above
- (b) Both (IV) and (V) above
- (c) (I), (III) and (V) above
- (d) (II), (III) and (IV) above
- (e) All (I), (II), (III), (IV) and (V) above.

228. Major decisions in organizations are most often made by groups rather than a single individual. Group decision-making is the norm in most large and complex organizations. Which of the following would generally not be considered an advantage of group decision-making?

- (a) Groups generally come up with more and better decision alternatives than an individual can
- (b) The members of the group tend to support the implementation of the decision more fervently than they would if the decision had been made by an individual
- (c) A group can bring much more information and experience to bear on a decision or a problem than an individual acting alone
- (d) The group is more likely to use "groupthink" when coming to a decision
- (e) A group is able to give different perspectives to a problem.

229. Which of the following statements is/are true about the satisfying decision model?

- I. Managers seek alternatives only until they identify one that looks satisfactory.
- II. Managers search for the perfect or ideal decision.
- III. It is appropriate when the cost of searching for a better alternative exceeds the potential gain that is likely by following the satisfying approach.
- (a) Only (I) above
- (b) Only (II) above
- (c) Only (III) above
- (d) Both (I) and (III) above
- (e) Both (II) and (III) above.

230. An organization can be described as an open system because it

- I. Has interrelated and interdependent parts (departments and divisions) that function as a whole.
 - II. Gets inputs from and distributes outputs to the external environment.
 - III. Impacts, and is impacted by, the external environment.
 - IV. Is perfectly deterministic and predictable.
- (a) Only (II) above
- (b) Both (I) and (II) above
- (c) Both (III) and (IV) above
- (d) (I), (II) and (III) above
- (e) All (I), (II), (III) and (IV) above.

ANSWERS

221. Answer : (b)

Reason : According to contingency approach to management, managerial practice depends on circumstances.

222. Answer : (a)

Reason : Work specialization involves different people each doing a specific job.

223. Answer : (a)

Reason : Pre-conventional Level of Moral Development is influenced exclusively by personal interest. It is concerned with following rules only when it's of interest.

Hence from above discussion, we can infer that option (a) is correct.

224. Answer : (b)

Reason : Planning can't eliminate change, but managers usually plan in order to anticipate changes and develop the most-effective response to changes.

Hence from above discussion, we can infer that option (b) is correct.

225. Answer : (c)

Reason : Differentiation is the tendency of a system to move towards increased specialization of various tasks.

Hence, from above discussion, we can infer that option (c) is correct.

226. Answer : (b)

Reason : Environmental scanning, forecasting, and benchmarking are the three most effective tools that managers can use to analyze their organization's environment.

Hence from above discussion, we can infer that option (b) is correct.

227. Answer : (c)

Reason : The following constitute 'potential resource weaknesses' for an organization:

- I. A weak balance sheet burdened with too much debt.
- III. Sub par e-commerce systems and capabilities relative to rivals.
- V. Not attracting customers as rapidly as rivals due to ho-hum product attributes.

Statement (II) and (IV) are potential threats to an organization.

228. Answer : (d)

Reason : Sometimes cohesive "in groups" let the desire for unanimity override sound judgement when generating and evaluating alternative courses of action.

Hence, from above discussion, we can infer that option (d) would generally not be considered an advantage of group decision-making.

Options (a), (b), (c) and (e) are all advantages of group decision-making.

229. Answer : (d)

Reason : The following statements are true about the satisficing decision model:

- I. Managers seek alternatives only until they identify one that looks satisfactory.
- III. It is appropriate when the cost of searching for a better alternative exceeds the potential gain that is likely by following the satisficing approach.

Statement (II) Managers search for the perfect or ideal decision is true with respect to rational decision making.

230. Answer : (d)

Reason : An organization can be described as an open system because it

- I. Has interrelated and interdependent parts (departments and divisions) that function as a whole.
- II. Gets inputs from and distributes outputs to the external environment.
- III. Impacts, and is impacted by, the external environment.

A closed system is perfectly deterministic and predictable

231. Departmentalization divides a large and complex organization into smaller and more flexible administrative units. A type of departmentalization in which similar specialists and people with common skills, knowledge and orientations are grouped together, is referred to as

- (a) Process departmentalization
- (b) Functional departmentalization
- (c) Product departmentalization
- (d) Customer departmentalization
- (e) Geographic departmentalization.

232. Which of the following statements is incorrect with respect to 'functional authority'?

- (a) Managing functional authority relationships is similar to managing dual-boss relationships
- (b) It should be restricted to the procedural aspects of a function
- (c) It is similar to line authority except that staff personnel with functional authority do not have a right to punish violations from the intended course of action
- (d) It should not be delegated too much down the line as such delegation may create problems
- (e) If unity of command were to be applied without exception, functional authority would be exercised only by staff managers.

233. Every organization structure, even a poor one, can be charted. Which of the following is false with respect to Organization Chart?

- (a) It is a vital tool for providing information about organizational relationships
- (b) It provides a visual map of the chain of command
- (c) Charting an organization structure can show up the complexities and inconsistencies, which can be corrected
- (d) It shows authority relationships as well as informal and informational relationships

(e) It helps managers and new personnel to know how and where they fit into the organization structure.

234. Various selection devices are used to choose candidates who best meet the qualifications and have the greatest aptitude for the job. Asking a candidate for an automotive mechanic's position to assemble and disassemble part of an engine motor would be an example of what kind of selection device?

- (a) Psychological test
- (b) Personality test
- (c) Performance test
- (d) Intelligence test
- (e) Application blank.

235. Performance appraisal involves the formal evaluation of an individual's job performance. Which of the following guidelines is least likely to improve the effectiveness of the appraisal process?

- (a) Stress both performance in the position the individual holds and the success with which the individual is attaining organizational objectives
- (b) Emphasize the evaluator's impression of the individual's work habits
- (c) Ensure that the appraisal is acceptable to both the evaluator and the evaluated
- (d) Ensure that the appraisal provides a base for improving individuals' productivity within the organization by making them better equipped to produce
- (e) Determine standards of effective performance.

236. Managers can adopt various methods to overcome initial resistance to change. In which of the following methods of overcoming resistance to change, management neutralizes potential or actual resistance by exchanging something of value for cooperation?

- (a) Facilitation and support
- (b) Manipulation
- (c) Negotiation and agreement
- (d) Explicit and implicit coercion
- (e) Education and communication.

237. Douglas McGregor identified two opposing perspectives (Theory X and Theory Y) that he believed typified managerial views of employees and suggested that management must start with the basic question of how managers see themselves in relation to others. Which of the following is not true about his theory?

- (a) Theory X managers view people as having an inherent dislike of work
- (b) Theory X managers assume that people do not want to be directed
- (c) Theory Y managers assume that the average person will accept, even seek, responsibility
- (d) Theory Y managers view people as responsible and conscientious
- (e) Theory Y managers assume that people are internally motivated to accomplish the goals and objectives.

238. The manager of Master Products Ltd., a leading manufacturer of electrical components, instructed Tarun, Shreya, Aparna, and Sheila, who all worked together, to teach each other their job skills to be more effective. What is this called?

- (a) Cross-training
- (b) Role perception

- (c) Training (d) Simulation
(e) Apprenticeship.

239. Senthil is a salesperson for Cloud 9 Corporation's Chennai office. If the salespersons meet their sales goals for the month, they are given an all-expense-paid trip to a Salgaonkar Club football game. Football is not one of Chennai's favorite sports, and the Salgaonkar Club is definitely not Senthil's favorite team. Which component of Vroom's expectancy theory influences Senthil's performance?

- (a) Effort-performance linkage (b) Performance-reward linkage
(c) Effort-reward linkage (d) Valence
(e) Instrumentality.

240. Which of the following statements is/are true with respect to content theories of motivation?

- I. Maslow's self-actualization and esteem needs correspond to Herzberg's motivators.
II. McClelland's need for achievement corresponds to Alderfer's relatedness needs.
III. Maslow's esteem needs correspond to Alderfer's need for power.
IV. Herzberg's hygiene factors correspond to McClelland's need for affiliation, Maslow's social needs and Alderfer's existence needs.
- (a) Only (I) above (b) Both (I) and (III) above
(c) Both (II) and (IV) above (d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

Answers

231. Answer : (b)

Reason : A type of departmentalisation in which similar specialists and people with common skills, knowledge and orientations are grouped together, is referred to as Functional departmentalisation.

Hence, from above discussion, we can infer that option (b) is correct.

232. Answer : (e)

Reason : If unity of command were to be applied without exception, functional authority would be exercised only by line managers. Hence, option (e) is incorrect and is the answer.

233. Answer : (d)

Reason : Organization Chart is a vital tool for providing information about organizational relationships.

It shows authority relationships and neglects significant informal and informational relationships

Hence from above discussion, we can infer that option (d) is false with respect to Organization Chart.

Options (a), (b), (c) and (e) are all true with respect to Organization Chart.

234. Answer : (c)

Reason : Performance Test or Work Sampling Test is used as a means of measuring practical ability on a specific job. The applicant completes some job activity under structured conditions.

Hence from above discussion, we can infer that option (c) is correct.

235. Answer : (b)

Reason : Performance appraisal involves the formal evaluation of an individual's job performance.

Emphasizing the evaluator's impression of the individual's work habits is least likely to improve the effectiveness of the appraisal process.

Hence, from above discussion, we can infer that option (b) is correct.

236. Answer : (c)

Reason : In negotiation and agreement method of overcoming resistance to change, management neutralizes potential or actual resistance by exchanging something of value for cooperation.

Hence, from above discussion, we can infer that option (c) is correct.

237. Answer : (b)

Reason : As per McGregor, Theory X managers assume that people prefer to be directed, wish to avoid responsibility, have little ambition, and above all, want security.

Hence, from above discussion, we can infer that option (b) is not correct about his theory.

Options (a), (c), (d) and (e) are all correct about his theory.

238. Answer : (a)

Reason : **Tarun, Shreya, Aparna and Sheila** all worked together, and to be more effective they taught each other their job skills. This process is called job rotation or cross-training. This is defined as a job design approach that involves periodically shifting workers through a set of jobs in a planned sequence. **(b) Role perception** is the individual's understanding of the behavior needed to accomplish a task or perform a job. **(c) Training** is the systematic development of knowledge, skills and attitudes required by an individual to perform adequately a given job or a task. **(d) Simulation** is a quantitative planning technique that uses mathematical models to imitate reality. (e) **Apprenticeship** is providing training in basic skills and impart knowledge in specified trades to apprentices in order to improve opportunities for employment or to help them promote their own business.

239. Answer : (d)

Reason : Senthil's performance is influenced by the component of valence.

240. Answer : (b)

Reason : The following statements are true with respect to content theories of motivation:

Maslow's self-actualization and esteem needs correspond to Herzberg's motivators.

Maslow's esteem needs correspond to Alderfer's need for power.

The following statements are not true with respect to content theories of motivation:

McClelland's need for achievement corresponds to Alderfer's relatedness needs. Since, McClelland's need for achievement corresponds to Alderfer's growth needs.

Herzber's hygiene factors correspond to McClelland's need for affiliation, Maslow's social needs and Alderfer's existence needs since Herzber's hygiene factors correspond to Maslow's safety and physiological needs and Alderfer's existence needs.

241. The managerial grid, propounded by Robert Blake and Jane Srygley Mouton, is a well-developed approach to defining leadership styles. It identifies five distinct leadership styles. According to this grid, the (9, 9) manager

- (a) Gives thoughtful attention to the needs of people, for a satisfying relationship leads to a comfortable, friendly atmosphere and work tempo
- (b) Believes that concern for people and tasks are compatible and that tasks need to be carefully explained and decisions endorsed by subordinates to achieve a high level of commitment
- (c) Believes in compromise, so that decisions are taken but only if endorsed by subordinates
- (d) Exerts minimum effort to get required work done
- (e) Is task-oriented and stresses the quality of the decision over the wishes of subordinates.

242. Of the various leadership styles suggested by the path-goal theory, which of the following statements is/are true about 'supportive leadership'?

- I. It involves creating a pleasant organizational climate.
 - II. It involves providing clear guidelines to subordinates.
 - III. It shows concern for subordinates.
 - IV. It corresponds to task-centered leadership described in other leadership theories.
- (a) Only (II) above
- (b) Both (I) and (III) above
- (c) Both (II) and (IV) above
- (d) (I), (II) and (III) above
- (e) (I), (III) and (IV) above.

243. Communication can well be treated as the force that binds the organizational participants together. We cannot expect effective management without communication. Which of the following factors does not help in effective communication?

- (a) Considering the total physical and human setting whenever you communicate
- (b) Consulting with others, when appropriate, in planning communications
- (c) Following up your communication
- (d) Focusing the communication primarily at meeting the demands of an immediate situation
- (e) Looking for the central idea in the communication process.

244. Controls can be classified on the basis of their timing or stage in the production process. With regard to the time element of controls, which of the following controls monitor activities while they are being carried out?

- (a) Feedback (b) Feed forward
(c) Precontrol (d) Concurrent
(e) Preliminary.

245. Financial ratios are particularly important to managerial control in an organization. One such financial ratio, viz., return on investment, is a ratio that attempts to measure a firm's

- (a) Leverage
- (b) Profitability
- (c) Liquidity
- (d) Reliability
- (e) Serviceability.

246. Which of the following statements is/are true about investment centers?

- I. The control system examines the role of assets in generating profit.
 - II. In investment centers, outputs are measured in monetary terms and directly compared with input costs.
 - III. It helps top management calculate the mere inflow and outflow of currency, rather than giving a total picture of profitability.
- (a) Only (I) above
 - (b) Only (II) above
 - (c) Both (I) and (III) above
 - (d) Both (II) and (III) above
 - (e) All (I), (II) and (III) above.

247. Operations Management is a tool by which management can create and improve upon its operations. Which of the following statements is true regarding Operations Management?

- (a) Operations managers are not found in the service sector
- (b) Operations Management is concerned with only the input stage of product development
- (c) The outputs of the operations system include both goods and services
- (d) Labour is part of the transformation stage and is not considered an input
- (e) The techniques of Operations Management are not applicable to other disciplines such as finance, marketing and human resource management.

248. Which of the following controls is the cause of an unsatisfactory outcome traced back to the individual responsible for it, who is then made to correct the practice?

- (a) Preventive control
- (b) Cybernetic control
- (c) Direct control
- (d) Steering control
- (e) Yes-no control.

249. According to the Japanese management practices, what refers to “my/one’s company” where people are treated as family members?

- (a) Ringi
- (b) Henko
- (c) Kacho
- (d) Kaisha
- (e) Habatsu.

250. Which of the following management information systems aims at facilitating communication and increasing the efficiency and productivity of managers and office workers through document and message processing?

- (a) Transaction processing system
- (b) Decision support system

(c) Office automation system

(d) Executive support system

(e) Line support system.

Answers

241. Answer : (b)

Reason : As per the managerial grid, the (9,9) manager believes that concern for people and tasks are compatible and that tasks need to be carefully explained and decisions endorsed by subordinates to achieve a high level of commitment.

Hence, from above discussion, we can infer that option (b) is correct.

242. Answer : (b)

Reason : The following statements are true about 'supportive leadership':

It involves creating a pleasant organizational climate.

It shows concern for subordinates.

Instrumental leadership involves providing clear guidelines to subordinates. Hence, statement (II) is not true.

Supportive leadership corresponds to relationship-oriented leadership described in other leadership theories. Instrumental leadership corresponds to task-centered leadership described in other leadership theories.

243. Answer : (d)

Reason : According to **L.A. Allen**, communication involves a systematic and continuous process of telling, listening and understanding.

Focusing the communication primarily at meeting the demands of an immediate situation is not a factor which helps in effective communication.

Hence, from above discussion, we can infer that option (d) does not help in effective communication.

244. Answer : (d)

Reason : With regard to the time element of controls, concurrent controls monitor activities while they are being carried out.

Hence from above discussion, we can infer that option (d) is correct.

245. Answer : (b)

Reason : Return on investment is the ratio of earnings before taxes to that of total assets. So, it attempts to measure profitability.

Hence, from above discussion, we can infer that option (b) is correct.

246. Answer : (a)

Reason : The following statements are true about investment centers:

- I. The control system examines the role of assets in generating profit.

247. Answer : (c)

Reason : Operations Management oversees the transformation process that converts resources such as labor and raw materials into finished goods and services.

Hence, from above discussion, we can infer that option (c) is true regarding Operations Management.

Options (a), (b), (d) and (e) are all false regarding Operations Management.

248. Answer : (c)

Reason : In direct control the cause of an unsatisfactory outcome traced back to the individual responsible for it who is then made to correct the practice.

249. Answer : (d)

Reason: According to the Japanese management practices, Kaisha refers to “my/one’s company” where people are treated as family members.

250. Answer : (c)

Reason : An office automation system aims at facilitating communication and increasing the efficiency and productivity of managers and office workers through document and message processing.

251. Planning by a supervisor of a goods processing department to rearrange the location of several pieces of equipment so that the new order can begin on time, three months hence, would be an example of a/an

- (a) Tactical plan
- (b) Operational plan
- (c) Tactical goal
- (d) Operational goal
- (e) Strategic goal.

252. As the size of the organization increases the more sophisticated the organizational structure becomes. Hence management is categorized into three basic levels i.e. top-level management, middle level-management and supervisory-level management. Which of the following is false with regard to functions of supervisory management?

- (a) Making detailed, short-range operational plans
- (b) Reviewing performance of subordinates
- (c) Making specific task assignments
- (d) Counseling subordinates on production, personnel or other problems
- (e) Maintaining close contact with employees involved.

253. Which stage of the creativity process links the unconscious state of mind with the conscious state?

- (a) Unconscious scanning
- (b) Intuition
- (c) Insight
- (d) Logical formulation
- (e) Decision.

254. Span of management includes

- I. Assigning equal number of subordinates to managers at the same level.

- II. Assessing employee skill and motivation levels.
- III. Determination of how many people working with each other report to a single manager.
- IV. Determination of the number of individuals a manager can effectively supervise.
- (a) Only (II) above (b) Only (IV) above
- (c) Both (I) and (III) above (d) Both (III) and (IV) above
- (e) (I), (II) and (IV) above.

255. Management By Objectives (MBO) is a system for achieving organizational objectives, enhancement of employee commitment and participation. Which of the following is not an advantage of MBO?

- (a) Role clarity (b) Clarity in organizational action
- (c) Personnel satisfaction (d) Basis for organizational change
- (e) Flexibility.

256. Which of the following is the best explanation of why Japanese companies tend to make decisions by consensus?

- (a) It is a reflection of the larger societal cultural value on groups
- (b) It is more efficient and timely than any other method
- (c) It is a carryover from Post-World War II influences from Americans
- (d) The Japanese government mandates it
- (e) Japanese companies style differs from that of American's style.

257. Information provided by market intelligence agencies is part of which of the following types of information systems?

- (a) Management Information System (b) Decision Support System
- (c) Executive Support System (d) Transaction Processing System
- (e) Office Automation System.

258. Which of the following responsibility centers are also referred to as 'engineered expense centers?'

- (a) Discretionary expense centers (b) Standard cost centers
- (c) Profit centers (d) Revenues centers
- (e) Investment centers.

259. Lawrence is a new interviewer who just finished an interview with Pauline. Her professional style and her flawless grooming immediately struck him. Lawrence gave Pauline a very good evaluation although her previous work experience and educational background were not that exceptional. What rating error did Lawrence succumb to?

- (a) Halo effect (b) Rater prejudice

- (c) Shifting standards (d) Different Rater patterns
(e) Stereotyping.

260. Which of the following statements is false concerning Vroom's expectancy theory?

- (a) It is based on self-interest where each employee seeks to maximize personal satisfaction
(b) Managers' must understand which rewards employees will positively value
(c) The employee must see the connection between performance and rewards
(d) The theory is concerned with reality, not perceptions
(e) There are two crucial linkages among effort-performance-reward in the theory.

Answers

251. Answer : (b)

Reason : The given example is that of an operational plan. Operational plans help in day-to-day functioning and are developed by lower level managers. They consider time-frames of less than a year.

252. Answer : (d)

Reason : Counseling subordinates on production, personnel or other problems is a function of middle level management. All other options are functions of supervisory level management.

253. Answer : (b)

Reason : The intuition stage of the creative process links the unconscious state of mind with the conscious state.

254. Answer : (d)

Reason : Span of management includes:

Statement (III) – Determination of how many people working with each other report to a single manager.

Statement (IV) – Determination of the number of individuals a manager can effectively supervise.

Hence, option (d) is the answer.

255. Answer : (e)

Reason : MBO helps in better managing the organizational resources and activities through clarity of objectives, role clarity, periodic feedback on performance, and participation by managers. It provides the key result areas (KRAs) where organizational efforts are needed, which leads to clarity in organizational action. Since MBO allows participation of employees in objective setting and a rational performance appraisal, it provides the greatest opportunity for personnel satisfaction. Also, MBO stimulates organizational change and provides a framework and guidelines for planned change, enabling the top management to initiate, plan, direct, and control the direction and Pace of change. However, MBO has some limitations also, which include inflexibility in the organization, particularly when the objectives need to be changed.

256. Answer : (a)

Reason: Japanese companies tend to make decisions by consensus because it is a reflection of the larger societal cultural value on groups.

257. Answer : (c)

Reason : An **executive support system (ESS)** supports effective functioning and decision-making at the top levels of an organization. An effective ESS provides intelligent information – market intelligence, investment intelligence, and technological intelligence.

A **management information system (MIS)** is a convergence of people, computer and communication technologies, and procedures designed to quickly provide relevant data or information, collected from both internal and external organization sources, for organization use.

A **decision support system (DSS)** is an interactive computer system that is easily accessible to and operated by people who are not computer specialists, who use the DSS to help them to plan and make decisions.

A **transaction processing system (TPS)** records and executes the routine, day-to-day transactions required to conduct an organization's business.

An **office automation system (OAS)** aims at facilitating communication and increasing the efficiency and productivity of managers and office workers through document and message processing.

258. Answer : (b)

Reason : Standard cost centers are also referred to as engineered expense centers.

259. Answer : (a)

Reason : Lawrence has succumbed to Halo error, which is a common tendency to rate subordinates high or low on all performance measures based on one of their characteristics where as in rater prejudice managers allow their personal biases to distort the rating they give to their subordinates. In shifting standards, managers rate each subordinate by different standards and expectations. In different rater patterns, managers differ in their rating styles. Some may rate harshly, others may rate easily. Whereas stereotyping is the process of categorizing or labeling people on the basis of a single attribute rating a person based on the characteristics of the group to which he or she belongs.

260. Answer : (d)

Reason : The theory is concerned with reality not perceptions is false with regard to Vroom's expectancy theory.

Vroom's expectancy theory is based on self-interest where each employee seeks to maximize personal satisfaction and holds that there are two crucial linkages among effort-performance-reward in this theory.

261. Mark's Embroidery produces custom-made embroidery products. One department sells to retail customers, another department sells to catalog customers and a third department sells only to college bookstores. Mark's Embroidery is departmentalized by

- (a) Product
- (b) Customer
- (c) Geographical location
- (d) Process
- (e) Function.

262. "When managers have substantial but not complete confidence and trust in subordinates and solicit advice from subordinates while retaining the right to make final decision", Likert's four systems of management describes it as

- (a) Participative leadership style
- (b) Benevolent-authoritative leadership style
- (c) Consultative leadership style
- (d) Exploitative-authoritative leadership style
- (e) Trait theory of leadership style.

263. Ravi, a new recruit in Solaris Systems, perceives that his outcomes (pay, perks etc.) are lower as compared to his inputs (qualifications, experience etc.) in relation to his colleagues. Which of the following theories of motivation explains this phenomenon?

- (a) Need hierarchy theory
- (b) Two-factor model
- (c) Equity theory
- (d) Expectancy theory
- (e) ERG theory.

264. Which of the following statement(s) is/are true with respect to 'discretionary expense centers'?

- I. The output of a discretionary expense center cannot be directly used to produce revenues.
 - II. Budgets for discretionary expense centers are developed only in terms of maximum resources that can be consumed by them in a particular period.
 - III. For assessing the budgetary performance, the expense constraints are established at the discretion of the manager.
- (a) Only (I) above
 - (b) Only (III) above
 - (c) Both (I) and (II) above
 - (d) Both (II) and (III) above
 - (e) All (I), (II) and (III) above.

265. Quantitative techniques are very useful in making decisions under conditions of varying degrees of uncertainty. Torque Engineering Co. Ltd. faces the problem of allocating resources to its newly set up hydraulic pumps division. Which of the following decision-making techniques can help solve the problem?

- (a) Linear programming
- (b) Decision tree
- (c) Simulation
- (d) Waiting-line method
- (e) Game theory.

266. Blake and Mouton's Managerial Grid is an approach to defining leadership styles based on a manager's concern for people and concern for production. Which of the following styles of management assumes that exertion of minimum effort to get required work done is appropriate to sustain organization membership?

- (a) Authority-obedience management
- (b) Team management
- (c) Country Club management
- (d) Impoverished management
- (e) Organization-man management.

267. Which of the following refers to the process that helps new employees adapt to the organization's culture?

- (a) Grapevine
- (b) Orientation

- (c) Socialization (d) Introduction
(e) Training.

268. Adaptability is essential for present day organizations to survive. Which of the following are characteristics of adaptable organizations?

- I. Employees are given more freedom in decision-making.
II. Management sets broad goals and objectives.
III. Accountability revolves around positions.
IV. Organizational learning is ongoing.
- (a) Both (I) and (III) above (b) Both (II) and (IV) above
(c) Both (III) and (IV) above (d) (I), (II) and (IV) above
(e) All (I), (II), (III) and (IV) above.

269. Ratio analysis is a performance evaluation technique that involves determining and evaluating financial ratios. In this regard, which of the following ratios measures a firm's financial risk?

- (a) Profitability (b) Liquidity
(c) Activity (d) Leverage
(e) Return on investment.

270. Which of the following is a measure of how appropriate organizational goals are and how well an organization is achieving those goals?

- (a) Competitor analysis (b) Environmental scanning
(c) Situational effectiveness (d) Organizational effectiveness
(e) SWOT analysis.

Answers

261. Answer : (b)

Reason : **Mark's Embroidery** is departmentalized by customer, i.e. to say customer divisions are divisions set up to service particular types of clients or customers. Under this method, activities are grouped according to the customers the organization serves and service to the customers is of top priority. (a) **Product divisions** are divisions created to concentrate on a single product or service of at least a relatively homogeneous set of products or services. (c) **Geographic divisions** are divisions are designed to serve different geographic areas. Under this method, territory or location is taken as the basis for departmentation. (d) **Process divisions** are designed to departmentalize the activities through the different process which the organization follows. (e) In **Functional departmentation** activities are grouped according to their main functional or specialized area such as Production, Finance, Marketing, HR, etc.

262. Answer : (c)

Reason : When managers have substantial but not complete confidence and trust in subordinates and solicit advice from subordinates while retaining the right to make final decision, Likert's four systems of management describes it as consultative leadership style. (a) In Participative leadership style the manager

has complete trust and confidence in the subordinates in all the matters.(b) In Benevolent leadership style the managers have a patronizing confidence and trust in subordinates, solicit some ideas and opinions from subordinates, motivate with rewards and some fear and punishment, permit some upward communication and allow some delegation of decision-making but with close policy control.(d) In exploitative-authoritative leadership style the managers represents doctoral leadership behavior with all decisions made by the manager. (e) Trait theory of leadership style assumes that leaders share certain inborn personality traits.

263. Answer : (c)

Reason : **J. S. Adam's equity theory** points out that people are motivated to maintain fair relationship between their performance and reward in comparison to others.

(a) Maslow's need hierarchy classifies human needs into five categories : physiological, safety, belongingness, esteem, and self-actualization needs and states that they follow an order. A satisfied need no longer motivates. (b) Herzberg's two-factor model distinguishes between motivators and hygiene factors. The presence of the former (motivators) causes satisfaction but their absence doesn't cause dissatisfaction. The absence of the latter (hygiene factors) causes dissatisfaction but their presence doesn't guarantee satisfaction.

(c) Victor Vroom's expectancy theory holds that people will be motivated to do things to achieve some goals to the extent that they expect that certain actions on their part will help them to achieve the goal.

(d) Alderfer's ERG theory categorizes human needs into three : existence, relatedness, and growth needs.

264. Answer : (e)

Reason : The following statements are true with respect to 'discretionary expense centers':

- I. The output of a discretionary expense center cannot be directly used to produce revenues.
- II. Budgets for discretionary expense centers are developed only in terms of maximum resources that can be consumed by them in a particular period.
- III. For assessing the budgetary performance, the expense constraints are established at the discretion of the manager.

265. Answer : (a)

Reason : **Linear programming** is a mathematical technique used in optimum allocation of resources in the organization.

Decision tree is a graphical method for identifying alternative actions, estimating probabilities, and indicating the resulting expected pay-off.

Simulation is the technique of developing a model that represents a real or existing system for solving complex problems that cannot be readily solved by other techniques.

Waiting-line or queuing model is a mathematical model that describes the operating characteristics of queuing situations, in which service is provided to persons or units waiting in line.

Game theory is a technique for determining the strategy that is likely to produce maximum profits in a competitive situation.

266. Answer : (d)

Reason : Blake and Mouton's Managerial Grid is an approach to defining leadership styles based on a manager's concern for people and concern for production. Impoverished management assumes that exertion of minimum effort to get required work done is appropriate to sustain organization membership.

267. Answer : (c)

Reason: Socialization refers to the process that helps new employees adapt to the organization's culture.

268. Answer : (d)

Reason : The following are characteristics of adaptable organizations

- Employees are given more freedom in decision-making
- Management sets broad goals and objectives
- Organizational learning is ongoing
- Accountability revolves around projects and not positions

Hence, option (d) is the answer.

269. Answer : (d)

Reason : Leverage ratio's indicate the firms financial risk. (a) Profitability ratios provide a firms overall economic performance (b) Liquidity ratios measure a firm's capacity to meet its short-term financial obligations. (c) Activity ratios reflects a firm's efficiency in resource utilization.

270. Answer : (d)

Reason : Organizational effectiveness is a measure of how appropriate organizational goals are, and how well an.

271. In the area of diversity, establishing task forces or committees to explore issues and provide ideas, carefully choosing work assignments to support the career development of all employees, and evaluating the extent to which diversity goals are being achieved would most likely be classified under which of the following managerial roles?

- (a) Planning (b) Staffing (c) Leading (d) Organizing (e) Controlling.

272. In recent years, research has proved that culture has a tremendous impact on management practices. Which of the following is not a characteristic of Organizational Culture?

- (a) It may vary in strength (b) It is indistinct in nature
(c) It is based on certain norms (d) It promotes dominant and stable values
(e) It shapes philosophy and rules.

273. Organizations that have divisional structure but do not treat the divisions as autonomous businesses, so that they can have control over both the revenues and expenses, may opt to set up

- (a) Standard Cost Centers (b) Revenue Centers (c) Profit Centers
(d) Investment Centers (e) Distribution Centers.

274. The authority given by an organization to a member holding a position is referred to as

- (a) Legitimate power (b) Coercive power (c) Expert power
(d) Referent power (e) Reward power.

275. A purchasing department may be created because the hospital administrator cannot effectively handle all purchasing. The purchasing department would evaluate the vendors and

suggest the appropriate ones for purchasing the materials. What type of position authority has been created?

- (a) Accountability
- (b) Line authority
- (c) Staff authority
- (d) Responsibility
- (e) Expert power.

276. Different behavioural scientists have developed different theories on motivation. One such behavioural scientist by the name of Herzberg gave the two-factor theory of motivation. Which of the following four responses are considered as Herzberg's hygiene factors?

- (a) Personal life, security, salary and recognition
- (b) Advancement, salary, status, company policy
- (c) Relationship with peers, status, supervision and security
- (d) Working conditions, relationship with subordinates, supervision and work itself
- (e) Responsibility, salary, status, company policy.

277. Lyman W. Porter and Edward E. Lawler III developed the expanded expectancy theory model. Which of the following is not true with regard to the Porter and Lawler model of motivation?

- (a) It is built on Vroom's expectancy theory
- (b) It means motivation is not a simple cause-and-effect matter
- (c) It assumes that satisfaction leads to performance
- (d) It emphasizes reward structure
- (e) It assumes that performance leads to intrinsic as well as extrinsic rewards.

278. The four phases of Creative process are

- I. Logical formulation.
- II. Intuition.
- III. Unconscious scanning.
- IV. Insight.

The order in which the process takes place is

- (a) (I), (II), (III) and (IV)
- (b) (II), (III), (IV) and (I)
- (c) (III), (II), (IV) and (I)
- (d) (IV), (I), (III) and (II)
- (e) (III), (I), (IV) and (II).

279. One of the most popular explanations of human motivations was developed by the psychologist, Abraham Maslow, and popularized during the early 1960s. According to Maslow, an employee who has a need for more self-respect, has unmet

- (a) Esteem needs
- (b) Physiological needs
- (c) Safety needs
- (d) Social needs
- (e) Self-actualization needs.

280. According to the Tannenbaum and Schmidt Leadership model, which of the following would be most accurate regarding someone exhibiting behavior toward right of the continuum of leader behaviours?

- (a) He would be a boss-centered leader
- (b) He would be more likely to ask the group to make a decision
- (c) He would be more autocratic
- (d) He would be more likely to "sell" the decision
- (e) He would present ideas and invite questions.

Answers

271. Answer : (d)

Reason : L.A. Allen defined organizing as "the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives".

In the area of diversity, organizing involves establishing task forces or committees to explore issues and provide ideas, carefully choosing work assignments to support the career development of all employees, and evaluating the extent to which diversity goals are being achieved.

Hence, from above discussion, we can infer that option (d) is correct.

272. Answer : (b)

Reason : Organizational Culture is the collection of shared beliefs, values, rituals, stories, myths and specialized language that foster a feeling of community among organization members.

It is distinctive in nature, as each organization has its own management philosophy, mission and objectives etc.

Hence from above discussion, we can infer that option (b) is not a characteristic of Organizational Culture.

Options (a), (c), (d) and (e) are all characteristics of Organizational Culture.

273. Answer : (c)

Reason : Organizations that have divisional structure but do not treat the divisions as autonomous businesses, so that they can have control over both the revenues and expenses, may opt to set up Profit Centers. When Organizations treat the divisions as autonomous businesses they may opt to set up Investment Centers.

274. Answer : (a)

Reason : The authority given by an organization to a member holding a position is referred to as Legitimate power.

275. Answer : (c)

Reason : Staff authority is created when a purchasing department is created because the hospital administrator cannot effectively handle all purchasing.

276. Answer : (c)

Reason : According to Herzberg's motivation-hygiene theory, relationship with peers, status, supervision and security are the four responses, that are all hygiene factors.

Hence, from above discussion, we can infer that option (c) is correct.

277. Answer : (c)

Reason : The Porter-Lawler model of motivation, which is an improvement of the expectancy theory, assumes that motivation does not equal satisfaction. It assumes satisfaction does not lead to performance. Rather, the converse is true: performance can, but does not always, lead to satisfaction through the reward process. It assumes that motivation is not a simple cause-and-effect matter. The model advocates that managers carefully assess their reward structures and also assumes that performance leads to intrinsic as well as extrinsic rewards.

278. Answer : (c)

Reason : Creative process is rarely simple and linear and usually comprises four overlapping and interacting phases. Phase (I): Unconscious scanning, Phase (II): Intuition, Phase III: Insight and Phase (IV): Logical formulation.

279. Answer : (a)

Reason : According to Maslow, an employee who has a need for more self-respect, has unmet Esteem needs.

Hence from above discussion, we can infer that option (a) is correct.

280. Answer : (b)

Reason : According to the Tannenbaum and Schmidt Leadership model, the statement that would be most accurate regarding someone exhibiting behavior toward right of the continuum of leader behaviours is option (b), i.e., He would be more likely to ask the group to make a decision.

281. Using a method called structured observation, Mintzberg isolated ten roles which he believed were common to all managers. According to him, maintaining self-developed networks of outside contacts and informers who provide favours and information can be best described as

- (a) The disseminator role (b) The liaison role (c) The monitor role
- (d) The entrepreneur role (e) The leader role.

282. The managers at the different managerial levels require different kinds of skills to perform the functions associated with their jobs. The major difference in skill requirements between middle and top managers is that

- (a) Top managers must generally be more skilled than middle managers in every respect
- (b) Top managers require better interpersonal skills but less conceptual skills than middle managers
- (c) Top managers generally require better technical and interpersonal skills than middle managers
- (d) Top managers generally require higher level conceptual skills but less technical skills than middle managers
- (e) Middle managers require better technical and conceptual skills than top managers.

283. The term 'ethics' commonly refers to the rules or principles that define right and wrong conduct. Managers making ethical decisions may belong to any of the three levels of Moral Development, each composed of two stages. The Pre-conventional Level of Moral Development is concerned with which of the following stages?

- (a) Following rules only when it's of interest
- (b) Living up to the expectations of people close to managers
- (c) Maintaining conventional order by fulfilling obligations which managers have agreed to
- (d) Valuing rights of others, and upholding non-relative values and rights, regardless of the majority's opinion
- (e) Following self-chosen ethical principles even if they violate the law.

284. According to the Scientific Management School of Thought, which of the following is defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of a specified activity to bring about improvement?

- (a) Work Methods Study
- (b) Micromotion Study
- (c) Time Study
- (d) Motion Study
- (e) Performance Study.

285. Max Weber, a German contemporary of Henri Fayol, coined the term "bureaucracy", based on the German word "buro" meaning office, to identify large organizations that operated on a rational basis. All of the following are characteristics of bureaucracy except

- (a) Centralized authority
- (b) Formalized rules and regulations
- (c) Standardized operating tasks
- (d) Wide spans of control
- (e) Multiple hierarchical levels.

286. Planning is the first function of management and can be defined as the process by which managers set missions and objectives, assess the future and develop courses of action to accomplish these objectives. However, there is no shortage of myths and misconceptions about planning. Which of the following statements is a common misconception about planning?

- (a) The end result of planning is only one of its purposes
- (b) Planning cannot eliminate change
- (c) Planning that proves inaccurate is a waste of management's time
- (d) The process of planning can, in itself, be valuable even if the results are inaccurate
- (e) Planning is only a constraint if management stops planning after doing it once.

287. Problems are encountered at all levels in an organization, and managers at various levels have to solve them or manage them in the best possible way. Which of the following is a series of interrelated sequential steps that can be used to respond to a well-structured problem?

- (a) Rule
- (b) Policy
- (c) Budget
- (d) Procedure
- (e) Norm.

288. Assume that you have recently been assigned to a committee that is given the responsibility to review and institute a process for employees to use when requesting upgrades in computer equipment. Which type of objectives would you most likely be developing?

- (a) Intermediate-term objectives
- (b) Long-term objectives
- (c) Short-term objectives
- (d) Organizational objectives

(e) Division objectives.

289. Raj, Ramesh and Rajesh are all making decisions about how to approach the team project. They have only one week to write a 75-page analysis of the government's suit against Microsoft. In addition, they all work full-time. Which decision-making model will they probably rely on?

- (a) Rational (b) Break-even analysis (c) Intuition
(d) Bounded rationality (e) Garbage-can.

290. Keith Davis and William C. Frederick have worked on the concept of social responsiveness. According to them the social responsiveness of an organization can be measured on the basis of which of the following criteria?

- (a) Contributions to profit-oriented projects
(b) Fair treatment of employees; fair pay and safe working conditions
(c) Unequal employment opportunity
(d) Unsafe and poor quality products to customers
(e) Disregard to environment pollution.

Answers

281. Answer : (b)

Reason : The three general types of managerial roles identified by Mintzberg are: interpersonal, informational and decisional roles. According to him maintaining self-developed networks of outside contacts and informers who provide favours and information can be best described as liaison role.

282. Answer : (d)

Reason : The major difference in skill requirements between middle and top managers is that top managers generally require higher level conceptual skills but less technical skills than middle managers.

Hence, from above discussion, we can infer that option (d) is correct.

283. Answer : (a)

Reason : Pre-conventional Level of Moral Development is influenced exclusively by personal interest. It is concerned with following rules only when it's of interest.

Hence from above discussion, we can infer that option (a) is correct.

284. Answer : (a)

Reason : According to the Scientific Management School of Thought, Work Methods Study is defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of a specified activity to bring about improvement.

Hence, from above discussion, we can infer that option (a) is correct.

285. Answer : (d)

Reason : A bureaucracy is a highly structured, formalized and impersonal organization. It has narrow spans of control, as there are multiple hierarchical levels.

Hence, from above discussion, we can infer that option (d) is not a characteristic of bureaucracy.

Options (a), (b), (c) and (e) are all characteristic of bureaucracy.

286. Answer : (c)

Reason : Planning is defined as the process by which managers set missions and objectives, assess the future and develop courses of action to accomplish these objectives.

Management that does a good job of planning will have direction and purpose, and planning is likely to minimize wasted effort. All of these can occur, even if the objectives being sought are missed.

Hence, from above discussion, we can infer that option (c) is a common misconception about planning.

287. Answer : (d)

Reason : A procedure is a series of interrelated sequential steps that can be used to respond to a well-structured problem. (a) Rules are statements of actions that must be taken or not taken in a given situation. (b) A policy is defined as a general guideline for taking an action. (c) A budget is a statement that outlines the expected results of a given future period in numerical terms. (e) Norms are standards set by a group that regulate and foster uniformity in member behaviors

288. Answer : (c)

Reason : An objective is the aim of an action. It implies a specific work to be accomplished within a given period of time.

Short-term objective is developed to accomplish a work in a very short period of time.

Hence, from above discussion, we can infer that option (c) is correct.

289. Answer : (d)

Reason : Raj, Ramesh and Rajesh are all making decisions about how to approach the team project and they will probably rely on Bounded rationality, which is defined as a concept that suggests that the ability of managers to be perfectly rational in making decisions is limited by such factors as cognitive capacity and time constraints. (a) In rational decision-making, managers possess and understand all the information that is relevant to their decisions at the time they make them. (b) Break-even analysis is a measure by which the level of sales, which is necessary to cover all fixed costs, can be determined. (c) Intuition is "direct perception of truth, fact, etc., independent of any reasoning process; immediate apprehension." (e) Garbage-can model is a non-rational model of managerial decision-making stating that managers behave in virtually a random pattern in making nonprogrammed decisions.

290. Answer : (b)

Reason : The social responsiveness of an organization can be measured on the basis of fair treatment of employees; fair pay and safe working conditions.

Hence from above discussion, we can infer that option (b) is correct.

291. Which of the following leadership styles is appropriate for a new entrant into an organization who is unable to solve task-related problems independently?

- (a) High-task/low-relationship (b) High-task/high-relationship
(c) Low task/high-relationship (d) Low-task/low-relationship
(e) High-task/no-relationship.

292. A well-known approach to defining leadership styles is the managerial grid, developed by Robert Blake and Jane Srygley Mouton. According to Blake and Mouton's managerial grid, which of the following managerial styles is also known as 'organization-man-management'?

- (a) Impoverished management (b) Middle-of-the-road management
(c) Country club management (d) Team management
(e) Authority-obedience management.

293. A message that is generated by the receiver in response to the sender's original message is known as feedback. It is a very important component of the communication process. Feedback returns the message to the sender and provides a check on

- (a) How well the receiver is doing
(b) How well the sender is doing
(c) Whether understanding has been achieved
(d) What the sender should do the next time a message is sent
(e) The ability of the receiver to perform the task.

294. There can be various types of controls in an organization. Which of the following is a self-regulating control system that once put into operation, can automatically monitor the situation?

- (a) Strategic control system (b) Tactical control system
(c) Operational control system (d) Cybernetic control system
(e) Non-cybernetic control system.

295. Ratio is an index that measures one variable relative to another and is generally expressed as a percentage or a rate. The ratio that tests how leveraged an organisation is, may be referred to as

- (a) Current ratio (b) Return-on-investment
(c) Debt ratio (d) Net profit margin
(e) Inventory turnover ratio.

296. Which of the following statement(s) about revenue centers is/are true?

- I. Sales and marketing departments are examples of revenue centers.
II. In revenue centers, outputs are measured in monetary terms and directly compared with input costs.
III. A revenue center cannot be responsible for changes in profit levels.
(a) Only (II) above (b) Only (III) above
(c) Both (I) and (II) above (d) Both (I) and (III) above

(e) All (I), (II) and (III) above.

297. Capacity decisions are one of the key decisions included in an operations management program. Which of the following would most likely happen if a company was operating with insufficient capacity?

- (a) The company would have generally low production costs
- (b) The company would be able to minimize operating costs
- (c) The company would have a loss of sales and lower profits
- (d) The company would be able to maximize profits
- (e) The company would be able to gain market share.

298. Which of the following controls is based on the idea that most of the negative deviations from standards can be overcome by applying the fundamentals of management?

- (a) Preventive control
- (b) Cybernetic control
- (c) Direct control
- (d) Steering control
- (e) Yes-no control.

299. Information is one of the important resources for managers. For information to be useful to managers, it must possess certain attributes. The information attribute which is prepared or presented to users often enough to be up-to-date is known as

- (a) Information accuracy
- (b) Information timeliness
- (c) Information relevance
- (d) Information completeness
- (e) Information frequency.

300. Firms with international business have several advantages over firms that operate only within the home country. Which of the following is not an advantage to a multinational corporation (MNC)?

- (a) Business opportunity in various countries and ability to raise funds for their operations throughout the world
- (b) Ability to establish production facilities in countries where their products can be produced most efficiently, effectively and economically
- (c) Access to natural resources and materials that may not be available to domestic firms
- (d) Recruitment from a worldwide labor pool enables MNCs to select the most suitable candidates for filling key positions in their firms
- (e) Developing countries have become more adept in international negotiations and have become aware of their resources.

Answers

291. Answer : (a)

Reason : A high-task/low-relationships is appropriate for a new entrant into an organization who is unable to solve task-related problems independently.

292. Answer: (b)

Reason : Leadership style (5,5) is known as 'organization-man-management' or 'middle-of-the-road management.' In this style managers show a moderate amount of concern for both people and production and have difficulty in bringing about innovation and change.

293. Answer : (c)

Reason : Feedback returns the message to the sender and provides a check on whether understanding has been achieved.

Hence, option (c) is correct.

294. Answer : (d)

Reason: Cybernetic control system is a self-regulating control system that once put into operation, can automatically monitor the situation. All other control systems may rely on human discretion. So, (d) is the correct answer.

295. Answer : (c)

Reason : Debt ratio measures the percentage of total assets financed by debt (including current liabilities). So, it tests how leveraged an organisation is.

Hence, option (c) is correct.

296. Answer : (d)

Reason : The following statements about revenue centers are true:

- I. Sales and marketing departments are examples of revenue centers.
- III. A revenue center cannot be responsible for changes in profit levels.

Statement (II) is not true because in revenue centers, outputs are measured in monetary terms but are not directly compared with input costs. Hence, option (d) is the answer.

297. Answer : (c)

Reason : The event that would be most likely to happen if a company was operating with insufficient capacity is that the company would have a loss of sales and lower profits.

Hence, option (c) is correct.

298. Answer : (a)

Reason : Preventive control is based on the idea that most of the negative deviations from standards can be overcome by applying the fundamentals of management.

299. Answer : (e)

Reason : The information attribute which is prepared or presented to users often enough to be up-to-date is known as information frequency.

300. Answer : (e)

Reason : Developing countries have become more adept in international negotiations and have become aware of their resources is not an advantage to a multinational corporation, instead is a challenge for them.

PRACTICE SETS

1. Management means forecasting, planning, organizing, directing, coordinating and controlling. Who said this

- | | |
|--------------------|----------------|
| a. Peter F Drucker | b. Henry Fayol |
| c. Parkins | d. F W Taylor |

2. Management is an art of getting work done by others. The statements belongs to

- | | |
|------------------|--------------------|
| a. Stanley Vense | b. Peter F Drucker |
| c. Henry Fayol | d. Harold Koontz |

3. Management is pervasive in the sense that

- it fulfils all purposes
- it uses all resources effectively
- it is relevant for all organisations
- all of the above

4. _____ can remove all the problems and can run the business on the right track

- | | |
|-------------------|-----------------|
| a. staffing | b. management |
| c. administration | d. coordination |

5. Which of the following statement is incorrect?

- Taylor disapproved the feeling of high handedness on the part of management
- Mental revolution in scientific management means total change in the attitudes of workers only
- Mental revolution is the basis of scientific management propounded by Taylor
- None of the above

6. Which of the following statements are true?

- Management is a thinking function of top level management.
- Management does not ensure utilization of available resources to achieve some objectives
- Management means managing men tactfully to get things done.

Codes

- | | | | |
|--------|------|--------|------------------|
| a. 1 2 | b. 3 | c. 1 3 | d. none of these |
|--------|------|--------|------------------|

7. Which of the following statements are true about Indian managers?

- Many Indian top managements are relatively authoritarian in their relationship with lower management and with labour.
- Prevalence of low degree of control
- Management have faith in capacity of workers for taking initiative.
- None of the above

8. The fundamental components of management does not include

- | | | | |
|-------------|-----------------|---------------|--------------|
| a. Planning | b. organization | c. motivation | d. budgeting |
|-------------|-----------------|---------------|--------------|

9. Management seeks to achieve which of the following results?

- | | | | | |
|------------|------------|----------|-------------|-----------|
| 1. profits | 2. service | 3. Style | 4. Dynamism | 5. Skills |
|------------|------------|----------|-------------|-----------|

Select the correct answer using the codes given below:

- | | | | |
|--------|------|--------|---------------------|
| a. 1 3 | b. 1 | c. 1 2 | d. all of the above |
|--------|------|--------|---------------------|

10. Which of the following statements are correct?

- a. management cannot generate a favourable working environment
- b. An ideal management takes the right decisions on all matters at the right time
- c. Management activities need not to be result oriented
- d. None of the above

11. Principle of management which implies that there should be 'One Head and one Plan' for a group of activities having the same objective is

- a. unity of direction
- b. authority and responsibility
- c. unity of command
- d. none of the above

12. Mohan, a manager expects his colleagues to get work out of subordinates without giving them any powers. Here, principle of Management overlooked is

- a. unity of command
- b. discipline
- c. order and equity
- d. authority and responsibility

13. Which of the following statement is not true?

- a. The principle of fair remuneration insists on adequate salary to employees
- b. The principle of management establish a relationship between cause and effect.
- c. Management principles are developed overnight
- d. None of the above

14. When the tools and raw materials are not found at the right place in the company, management principle violated is

- a. scalar chain
- b. order
- c. authority and responsibility
- d. equity

15. Unity of objectives' principle states that there should be

- a. only one objective
- b. predetermined objectives
- c. coordination among objectives
- d. none of the above

16. Consider the following statements.

- 1. Management principles are a set of rigid prescription on how to manage.
- 2. The principles of management establish a relationship between cause and effect.
- 3. Management principles are not used as basis for management training, education and research.

Which of the statements given above is correct?

- a. 1 2
- b. 3
- c. 1
- d. 2

17. Which of the following statements are incorrect?

- a. the principle of fair remuneration insists on adequate salary to employees
- b. management principles are static or absolute in nature.
- c. management principles trained the managers to adopt the changes in technology in right direction
- d. all of the above

18. Which of the following statement is true>

- a. order principle unifies the efforts of all the employees in common direction
- b. management principle provide useful insights to managers
- c. management principles provide readymade solution to all managerial problems
- d. all of the above

19. consider the following statements.

- 1. Fayol believed that a single foreman is not competent to supervise all functional matters.
- 2. Gantt boss helps in making arrangement of machines, materials etc for the jobs
- 3. Taylor's principles are based on observation and experimentation

Which of the statement given above is correct?

- a. 1 b. 3 c. 2 3 d. 1 3

20. Consider the following statements.

1. Taylor advocated unity of command so that each worker gets order from one boss only.
2. Taylor put his ideas through scientific management.
3. Taylors principles have universal application.

Which of the statement given above are correct?

- a. 2 b. 1 c. 1 2 d. none of the above

21. Which of the following is not a part of scientific management?

1. Harmony not discord
2. cooperation not individualism
3. subordination of individual interest to general interest
4. science not rule of thumb

Select the correct answer using the codes given below

- a. 3 b. 1 2 c. 4 d. all of the above

22. Which of the following statement is correct?

1. Principles of scientific management are related to factory area.
2. Genaral principles of management are applied universally
3. Fayol principles are scientific in nature
4. Gang plank is an excertion of scalar chain

Codes

- a. 1 2 b. 1 2 4 c. 1 3 4 d. 3 4

23. Consider the following statements

1. Management is a science because it uses certain principles
2. Management is an art as it is based on practice and creativity
3. Management can be accepted as a profession as it is a well defined bofy of knowledge of these statements.

Which of the statements given above is correct?

- a. 1 2 b. 2 c. 3 d. all of the above

24. A sales person is asked to finalise a deal with a customer. The marketing manager allow him to give a discount of upto 10% but the finance manager allows him to give discount of upto 25%. Which principles violated here management is?

- a. unity of direction b. unity of command
c. initiative d. none of these

25. The Production manager of an automobile company asked a foreman to achieve a target production of 200 units per day. But, he did not give him the authority to requisition tools and materials from the stores department. Principle relating to the situation is

- a. scalar chain b. discipline c. equity d. authority and responsibility

26. Which of the following states the nature of management principles?

1. universality 2. Evaluative 3. Dynamic 4. Alternative 5. Relative

Select the correct answer using the codes given below

- a. 1 2 3 b. 2 4 c. 1 4 d. 1 5

27. Which of the following statements is correct?

- a. principles of management are broad and general guidelines for managerial decision making and behavior.
- b. techniques of management are something which are acceptable or desirable
- c. a person can perform managerial functions effectivelt without proper understanding of principles
- d. none of the above

28. All managerial function are settled by managers with the tool of
a. planning b. decision making c. effective control d. authority
29. Decision which can be changed or totally revoked are called
a. irreversible b. trial and error c. experimental d. reversible
30. The function of attracting, acquiring, retaining and developing uman resources in an organization is called
a. recruitment b. induction c. training & development d. staffing
31. Techniques of managerial control are useful in
a. selection of plant location b. identifying appropriate technology
c. profit planning d. conducting shareholders meeting
32. The number of subordinates who report directly to a manager is called that managers
a. work team b. informal organization structure
c. formal authority d. span of control
33. _____ spans of management control create _____ structure with many levels of management.
a. wide, tall b. wide, unpredictable
c. narrow, tall d. narrow , flat
34. To prepare plans regarding the work is performed by
a. lower level management b. board of directors
c. middle level management d. all of the above
35. Arrange the following functions of a manager in an organization in correct sequence.
1. motivation 2. Controlling 3. Organizing 4. Planning
Codes
a. 3 4 1 2 b. 3 4 2 1 c. 4 3 1 2 d. 4 3 2 1
36. Consider the following statements.
1. Planning is the primary function of management.
2. Efficiencies means doing the right task, completing activities and achieving goals.
3. Management is not universally necessary in all organization.
Which of the statement given above is
Codes.
a. 1 b. 2 c. 1 2 d. none of the above
37. Which of the management functions are closely related
a. planning and organization b. staffing and control
c. planning and control d. planning and staffing
38. Which of the following is not an element of delegation?
a. accountability b. authority
c. responsibility c. information organization
39. Which of the following statements is correct?
a. directing converts plans into performance
b. planning is the process or pre-requisite for controlling
c. staffing is the basis of thinking before doing
d. none of the above
40. Which of the following statements are incorrect?

- a. planning is a trap to capture the future
- b. finding the right people for the right job is known as organizing
- c. teamwork divides the task and double the success
- d. none of the above

41. Consider the following statements

- 1. organizing ensures resource optimization
- 2. organizing is an important means of communication
- 3. organizing does not create transparency
- 4. organizing establishes coordination between different departments of an organization

Which of the statements given above is correct?

- a. 1 2 4
- b. 3 2 4
- c. 2 4
- d. none of the above

42. What is not an advantage of hierarchical structure?

- a. clear chain of command
- b. quick response to change
- c. discipline and stability
- d. small span of control

43. Which of the following statements is incorrect about span of control?

- a. it creates disputes between superior and subordinates
- b. it increases managerial effectiveness
- c. it enhances morale of the staff
- d. it accomplishes a good communication

44. Which of the following factors does not affect span of control?

- a. level of management
- b. physical structure of organization
- c. nature of work
- d. degree of centralization

45. An electronic company is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower price models for mass customers who are price sensitive. For quality conscious consumers, the company is introducing a new model with added features and new technological advancements. The type of plan needed to be prepared under this situation is

- a. strategy
- b. policies
- c. objectives
- d. rules

46. Planning of the organization with suitable personnel is known as

- a. organizing function
- b. coordinating function
- c. directing function
- d. staffing function

47. A process of evaluating results against predetermined standards and correcting the deviation is known as

- a. directing
- b. coordinating
- c. controlling
- d. planning

48. Which of the following is not an element of planning?

- a. programme
- b. procedure
- c. policy
- d. information

49. Which of the following is not a technique of control?

- a. budget
- b. disciplinary action
- c. policy
- d. praise

50. An adequate control system does not need

- a. flexibility
- b. reporting deviations expeditiously
- c. reflected organisational pattern
- d. variability in directing

51. Which point is irrelevant while imposing a strategic control system?

- a. comprehensive coverage
- b. balanced performance
- c. delegation of authority
- d. timeliness

52. control denotes
- Measurement of performance in accordance with objectives
 - disciplinary action against employees
 - curtailment in undesirable activities
 - curtailment in expense

Directions (Q. Nos 53 – 65) In the questions given below are two statements labelled as Assertion and Reason. In the context of the two statements, which one of the following is correct?

Codes

- Both A and R are correct and R is the correct explanation of A
- Both A and R are incorrect but R is not the correct explanation of A
- A is correct but R is incorrect
- A is incorrect but R is correct

53. Assertion The span of management at the upper level is generally narrow while at lower level span is wide.

Reason The tasks allocated to subordinates at the lower level of management are more specific and thus making supervision easy and simple.

54. Assertion Management ensures maximum production at minimum cost.

Reason Management eliminates wastes as far as practicable.

55. Assertion Management is dynamic function which is to be performed continuously

Reason Policies and procedures of management are quickly changed to cope with the changing business environment.

56. Assertion Planning is required at all level of management as well as in all departments.

Reason Planning is not a mental exercise.

57. Assertion Authoritative style of decision making comes from the top

Reason It is a joint collaboration of the leader and his subordinates

58. Assertion Decision making is a fundamental element of the managerial process

Reason Irreversible decisions can be undone or changed.

59. Assertion Management is not a decision making functions.

Reason All managerial functions are settled by managers with the tool of decision making.

60. Assertion Controlling is based on the factors, which are prevailing in the organization.

Reason Controlling has nothing to do with external factors which are equally important.

61. Assertion Proper staffing helps in obtaining competent personnel for various jobs.

Reason Machineries and human resources are the principal assets of any organization.

62. Assertion Staffing avoids incorrect actions and reduces frequency of failures

Reason Staffing improves job satisfaction.

63. Assertion Creation of jobs and departments is the third step in the process of organizing.

Reason Various jobs created are classified into specified categories.

64. Assertion Induction is concerned with the process of introducing a new employee to the organization.

Reason Induction ensure right person doing the right job

65. Assertion CPM provides the framework for treating a wide range of project management problems.

Reason CPM is applied in those projects where activity timings are well known.

66. Assertion Management principles increase managerial efficiency.

Reason Management principles provide useful insights of managers

Codes

a. R is correct but A is not correct

b. A is correct but R is not correct

c. both A and R are correct

d. both A and R are not correct

67. Assertion Management principles are not developed overnight.

Reason Principles are derived on the basis of observation and analysis of events which managers face in actual practice.

Codes

a. R is correct but A is not correct

b. A is correct but R is not correct.

c. both A and R are correct

d. both A and R are not correct

68. Match the following

List-I	List-II
a. Authoritative, participative	1. styles of managers
b. classic, transformational	2. objectives of management
c. board of directors, foremen	3. types of decisions
d. organizational, social	4. levels of management

Codes

	A	B	C	D
a.	4	3	2	1
b.	3	4	1	2
c.	3	1	4	2
d.	2	1	4	3

69. Match the following

List-I	List-II
a. classic style (laissez faire)	1. require a strong vision or an inspirational leader
b. autocratic leadership	2. does not well in all situations
c. transactional leadership	3. exerts complete control over the employees
d. transformational leadership	4. preferred for those employees who require less supervision

Codes

	A	B	C	D
a.	2	3	4	1
b.	4	2	1	3
c.	4	3	2	1
d.	1	2	3	4

70. Match the following

List-I	List-II
a. Top level management	1. collecting reports and forwarding them to top management
b. middle level management	2. represent workers grievances before management
c. lower level management	3. assembling the required resources
d. supervisory management	4. maintain discipline among the workers

Codes

	A	B	C	D
a.	4	3	2	1
b.	3	2	1	4
c.	2	1	4	3
d.	3	1	2	4

71. Match the following

List-I	List-II
a. Experimental decisions	1. Pass off the responsibility for the decision to subordinate or subordinates
b. trial and error decisions	2. first phase of the facilitative style, with the authoritative style coming in at the end
c. delegative decisions	3. cannot be finalized until the result of the preliminary data are in systematic manner
d. consultative decisions	4. the knowledge gained from mistakes is used to fine tune the proper course

Codes

	A	B	C	D
a.	4	3	1	2
b.	4	3	2	1
c.	3	1	4	2
d.	3	4	1	2

72. Match the following

List-I	List-II
a. contingent	1. management principles enable a better understanding of the relationship between human and material resources
b. universal applicability	2. management principles are applicable to all types of organization
c. establish cause and effect relationship	3. management principles are not static or absolute in nature
d. behavioural	4. tell the managers if a particular principle is applied in a particular situation, what may be its likely effect

Codes

	A	B	C	D
a.	3	2	4	1
b.	4	1	2	3
c.	3	4	2	1
d.	4	3	2	1

73. Match the following

List-I	List-II
a. unity of command	1. the mission of a company is to provide quality goods at affordable prices of consumers. This should serve as a direction for all the departments
b. remuneration of personnel	2. a worker is asked by the foreman to increase quantity but marketing management wants to improve quality
c. unity of direction	3. a worker is asked to work extra time after his days work. He must be given adequate wages for the extra time
d. division of work	4. publication of a book involves several operations which should be performed by different persons.

Codes

	A	B	C	D
a.	4	3	2	1
b.	3	4	1	2
c.	2	3	1	4
d.	2	3	4	1

74. Match the following

List-I	List-II
a. science not rule of thumb	1. management should decide the method of work, working conditions etc. instead of leaving these to the discretion of workers.
b. Harmony, not discord	2. Enabled the management to innovate the best method of doing work, specific work standards and to provide the necessary incentives for motivation.
c. cooperation and individualism	3. management and workers must develop positive thinking for each other and work with harmony
d. equal division of responsibility	4. this principle is an extension of principle of harmony and discord.

Codes

A	B	C	D
---	---	---	---

- a. 2 3 4 1
- b. 4 3 2 1
- c. 3 4 1 2
- d. 3 2 4 1

75. Match the following

List-I	List-II
a. science not rule of thumb	1. both workers and managers should realize that they need each other and there should be equal division of work and responsibility between workers and management
b. harmony and discord	2. both the management and the workers should try to achieve maximum output in place of restricted output
c. cooperation not individualism	3. highlights the need for mutual cooperation and humanious relationship between workers and management
d. maximum not restricted output	4. also known as trial and error method is the established norm for guidance

Codes

- A B C D
- a. 3 4 1 2
- b. 4 3 1 2
- c. 4 1 2 3
- d. 4 3 2 1

76. Match the following

List-I	List-II
a. centralization	1. right to give orders to the subordinates
b. scalar chain	2. concentration of authority at one place or at one level in the organization
c. esprit de corps	3. the chain of superiors ranging from the choef executive or ultimate authority to the lowest level in the organization
d. authority	4. the sprit of loyalty and deotion which unites the members of the group

Codes

- A B C D
- a. 2 3 4 1
- b. 3 4 2 1
- c. 4 3 1 2
- d. 2 4 1 3

ANSWER KEYS

1=B	2=D	3=C	4=B	5=B	6=B	7=A	8=D	9=B	10=B
11=A	12=D	13=C	14=B	15=A	16=D	17=B	18=B	19=C	20=A
21=A	22=B	23=D	24=B	25=D	26=A	27=A	28=B	29=D	30=D
31=B	32=D	33=A	34=A	35=D	36=A	37=C	38=D	39=C	40=B
41=A	42=B	43=A	44=B	45=A	46=D	47=C	48=D	49=D	50=A
51=D	52=D	53=D	54=A	55=A	56=C	57=C	58=C	59=D	60=A
61=C	62=D	63=C	64=C	65=D	66=C	67=B	68=C	69=C	70=D
71=D	72=A	73=C	74=A	75=A	76=D				

PRACTICE SETS

- Authority is of _____ type
 - legal authority
 - chromatic authority
 - traditional authority
 - all of the above
- Leadership is the activity of influencing people to strive willingly for group objectives. This statement is given by
 - George R Terry
 - Harris Thomas A
 - Davis. Keith
 - rensis likert
- theory X includes
 - the average human being prefers to be directed, wishes to avoid responsibility and has relatively little ambition and above all, desires security
 - Human beings are inherently lazy and will shun work and therefore must be coerced.
 - Represents the traditional view of direction and control
 - all of the above
- Theory Y includes
 - in general, for most people, the excuse of physical and mental effort in work and play is as natural in play or rest.
 - man will exercise self control in those spheres where the objectives tally with his own
 - the capacity for developing and utilizing their capacities, knowledge and skill does exist in people.
 - all of the above
- Motivation includes
 - job enrichment
 - job rotation
 - job enlargement
 - all of these
- In the implications of the Hawthorne studies, which of the following reasons are given by the workers?
 - earning
 - type of supervision
 - small group
 - all of these
- Herzbergs factors includes
 - possibility of growth
 - status
 - advancement and recognition
 - all of the above
- In Vroom's Expectancy theory, Valance means
 - strength of an individuals preference for a particular outcome
 - salary
 - supervision
 - knowledge of planning
- In Vroom's expectancy theory, Expentancy indicates

- a. probability of achieving that outcome
c. award
- b. advancement
d. accounting
10. classical theory of organization includes
a. Delegation of authority
c. work division and specification
- b. order
d. all of the above
11. Neo-classical theory of organization consists
a. Decentralisation
c. human oriented
- b. non-formal organization
d. all of the above
12. Which is not the Maslows needs?
a. Esteem
b. control
c. self actualisatio
d. social
13. which is the barrier of communication?
a. filtering
c. the pressure of time
- b. psychological distance
d. all of the above
14. Employees motivational technique is
a. to select and apply the appropriate motivations
c. to ascertain motivational needs
- b. to prepare a set of motivational tools
d. all of the above
15. Who is the developer of two factor theory of motivation.
a. Herzberg
b. Lawless, David J
c. A.H Maslow
d. Porter, Lyman W. Hackman
16. Which of the following is or are not Non financial incentives?
a. Job enlargement
c. person
- b. welfare activities
d. responsibility
17. Theory X is a theory of
a. controlling
b. financial planning
c. motivation
d. planning
18. Motivational factor is
a. achievement
b. work itself
c. recognition
d. all of these
19. Expectancy theory was developed by
a. Alfred
b. Vroom Victor
c. Robinson
d. Maslow
20. Who describes the classical approach as the engineering approach?
a. Gulick
b. Fayol
c. Urwick
d. Mooney
21. Hygiene factors related to the work context includes
a. Relations with supervisor
c. company policy & administration
- b. supervision
d. all of the above
22. Which is the type of communication in small group?
a. centralized flow with feedback
c. circular flow with feedback
- b. chain flow with deedback
d. all of the above
23. according to Wendell and Cecil, which is an element of organization development?
a. collaborative management
c. work team
- b. work processes
d. all of these
24. Which is not correct about the nature of leadership?
a. ideal conduct
b. leadership is a personal quanlity

- c. dynamic process d. unity of accounting
25. Systems approach of management consists
 a. information requirements b. communication methodology
 c. decision making techniques d. all of the above
26. The approaches to organizational changes are
 a. structural approach b. value centred approach
 c. technological approach d. all of the above
27. financial incentives include
 a. insurance b. additional bonus
 c. participation in profits d. all of the above
28. learning can be in the form of
 a. stimulus b. motivation c. objective oriented d. all of these
29. Non-financial incentives consists
 a. goals b. c. effective leadership d. all of these
30. The managerial grid was developed by
 a. Likert, rensis b. Stanton c. jones d. Robert R. Blake and Jone S Monton
31. Which is not a theory of leadership?
 a. Accounting theory b. the life cycle theory
 c. interactionistic theory d. functional theory
32. which is the theories of learning?
 a. Stimulus response theory b. operational conductioning theory
 c. theory of conditioning d. all of the above
33. the benefits of MBO consists of
 a. basis of salary b. special emphasis on managerial efforts
 c. achievement of goals d. all of the above
34. which of the following is theories of leadership
 a. the situational theory b. the trait theory
 c. the great man theory d. all of the above
35. Approaches of organizational effectiveness include
 a. strategic constituencies approach b. system approach
 c. goal attainment approach d. all of the above
36. the organization theory includes
 a. adaptation and change b. boundary and environment
 c. technology d. all of the above
37. Which is the formula of Vrooms Expectancy theory?
 a. $\frac{\text{valence}}{\text{expectancy}}$ b. motivation = valence × expectancy
 c. $\frac{\text{expectancy}}{\text{valence}}$ d. $\frac{\text{motivation}}{\text{esteem}}$
38. fayol attempted to develop
 a. scientific management b. universal theory of management

- c. productivity theory
d. none of the above
39. who coined the term scientific management?
a. Etron mayo
b. Henry Fayol
c. F. W Taylor
d. Rensis Likert
40. F W Taylor's important writing includes
a. Shop management
b. Principle of scientific management
c. both A and B
d. none of the above
41. Which of the following element of scientic management was given by Taylor?
a. Time and moton study
b. Functional foremanship
c. Standardisation
d. All of these
42. Who was associated with the illumination experiment of the Hawthorne experiment?
a. Elton Mayo
b. George A Pennok
c. F.J Roethlisberger
d. None of the above
43. Father of the human relation approach was
a. Abraham Maslow
b. Douglas McGregor
c. P.F. Drucker
d. Elton Mayo
44. Elton Mayo conducted his Hawthorne experiment in
a. Western electric company
b. Eastern Electric company
c. General electric company
d. Indian electric company
45. Elton Mayo's contribution of management development throught was
a. Human relation approach
b. Non-economic approach
c. social man
d. all of these
46. Chester Bernard's important writings include
a. the function of the executive
b. organization & management
c. elementary condition of business morale
d. all of these
47. Control function cannot be performed without
a. Planning
b. Organising
c. Staffing
d. All of these
48. Which of the following principles of management was not given by Fayol
a. Unity of direction
b. Subordination of individual interest to common interest
c. stability of tenure
d. standardization
49. Narrow span of control results into
a. Tall structure
b. Flat structure
c. Machanistic structure
d. All of the above
50. Which of the following is correct about 'GRAPVINE'?
a. It tends to exists when member of formal group know one another well.
b. It is the result of the social forces at work place.
c. It is more common in times of high organizational commitment.
d. all of the above
51. Who is associated with the 'illumination experiment" of the Hawthorne experiment
a. Elton mayo
b. George A Pennock
c. F.J Roethlisberger
d. All of these

52. Identify the principle of the F.W Taylor scientific management
a. Scalar chain
b. M.B.O
c. Functional foremanship
d. All of these

53. Grapevine is called
a. Informal communication
b. Formal communication
c. Official created
d. All of these

54. The old control techniques which were used through years are
a. unity of policies
b. break-even analysis
c. budgetary control
d. All of these

55. Clester Bernard developed a theory of organization and _____ functions
a. vision
b. recognition
c. executive
d. all of these

56. Who propounded the theory X and theory Y?
a. McGregor
b. Mayo
c. Taylor
d. Chrs Argyris

57. Few of the management principles given by Henry Fayol are
a. authority & responsibility
b. division of work
c. discipline
d. all of these

58. Which of the following includes in the classical theory?
a. Bureaucratic
b. scientic management
c. functional & administrative
d. all of these

59. non-classical theory time period is
a. 1990-1930
b. 1930-1950
c. 1950-1980
d. none of these

60. Neo-classical theory includes
a. human related movement
b. system approach
c. behavioural science movement
d. both A and C

61. Modern approach management theories names
a. quantitative operation research
b. contingency approach
c. system approach
d. all of these

62. Bureaucratic models were given by
a. Max Weber
b. Henry Fayol
c. Taylor
d. Elton mayo

63. Who gave the 14 Principles of Management?
a. Elton mayo
b. F W Taylor
c. Mx Weber
d. Henry Fayol

64. Author of Making scientific management is given by
a. Urwick and Breach
b. F. W Taylor
c. Elton Mayo
d. Max Weber

65. Role of staff in “line and staff” organization is
a. advisory
b. managerial
c. superior
d. all of these

66. Which approach emerged from the findings of hawthorne experiment
a. Human relation approach
b. system approach
c. behavioural science movement
d. all of these

67. the “human problem of industrial civilization” is given by
a. Michael E porter
b. Charles Babbage
c. Elton mayo
d. all of these

68. Which Books was given by McGregor?

- a. Professional manager
- b. Leadership and management
- c. the human side of enterprise
- d. all of these

69. which books was given by McGregor?

- a. professional manager
- b. leadership and management
- c. the human side of enterprise
- d. all of those

70. the acceptance theory of authority was given by

- a. Michael E porter
- b. Charles babbage
- c. chester Bernard
- d. all of these

71. Certain important motivational techniques are

- a. monetary incentives
- b. job-based techniques
- c. MBO techniques
- d. all of these

72. the _____ principle. Which is the inherent process in organization through which authority, the antecedent co-coordinative principles, permeates the entire organized structure.

- a. scalar
- b. unity of direction
- c. MBO
- d. all of these

73. the following are the elements of control

- a. authority and knowledge
- b. Guidance and direction
- c. constant and restraint
- d. all of these

74. Under mechanism of scientific management, scientific task setting includes

- a. time study
- b. method study
- c. motion study
- d. all of these

75. David C McClelland identified three motives those are

- a. affiliation
- b. power
- c. achievement
- d. all of these

76. communication is the art of transmitting

- a. information
- b. ideas
- c. attitudes
- d. all of these

77. The communication process begins with _____ who transmits the message

- a. information
- b. sender
- c. attitudes
- d. all of these

78. who developed the functional organization?

- a. Michael E porter
- b. Charles babbage
- c. Taylor
- d. all of these

79. The functional foremanship was given by

- a. Michael E.Porter
- b. Charles Babbage
- c. Taylor
- d. All of these

80. Gang Boss is related to

- a. Working rule
- b. speed of different machines
- c. availability of tools and machines
- d. all of these

81. Communication flow from lower level to upper obes within an organization

- a. vertical communication
- b. downward communication
- c. upward communication
- d. all of these

82. Hierarchy has been described as the 'scalar process' by

- a. L.D.White
- b. Mooney & Riley
- c. P.HAppleby
- d. Gullick & Urwick

83. which of the following is the type of decentralization?

- a. profit centre b. responsibility centre c. cost & expense centre d. all of these

84. Types of coordination is

- a. internal b. external c. vertical & Horizontal d. all of these

85. Which of the following is the classical theory of span?

- a. Hamilton prescription b. Urwick Prescription
c. Granicusuicus prescription d. all of these

86. Which of the following is the channel of communication?

- a. vertical communication b. downward communication
c. lateral or diagonal communication d. all of these

87. It is the communication that flows both up and down the organization, usually along formal reporting lines

- a. vertical communication b. downward communication
c. lateral or diagonal communication d. all of these

88. Communication flow from higher level to lower ones within an organization

- a. vertical communication b. downward communication
c. lateral or diagonal communication d. all of these

89. It takes place between people on the same level of the hierarchy

- (A) Vertical Communication (B) Downward Communication
(C) Lateral Communication (D) All of these

90. It consists of the message from superior to subordinate

- (A) Vertical Communication (B) Downward Communication
(C) Upward communication (D) All of these

91. It occurs between people neither in the same department nor on the same level of the hierarchy.

- (A) Vertical Communication (B) Downward Communication
(C) Diagonal Communication (D) All of these

92. _____ is a communication channel that do not adhere to the organisation hierarchy.

- (A) Informal Communication (B) Downward Communication
(C) Diagonal Communication (D) All of these

93. An informal communication network among people in an organisation that is not officially sanctioned by the organisation.

- (A) Informal Communication (B) Downward Communication
(c) Grapevine (D) All of these

94. Communication methods or media types.

- (A) Oral or verbal Communication (B) Written Communication
(c) Non-verbal Communication (D) All of these

95. Face-to-Face conversation, group discussion telephone, calls and other circumstances in which the words are spoken is used to transmit meaning.

- (A) Oral or verbal Communication b. Written Communication
(C) Non verbal Communication (D) All of these

96. The communication that takes place through facial expression, body position, eye contact and other facial expression is
(A) Oral or verbal Communication (B) Written Communication
(C) Non verbal Communication (D) All of these
97. "Focus on social environment" is related to
(A) Unity of command (B) Human Relation
(C) Unity of Direction (D) Attitude
98. The term "General system theory" owes its origin to
(A) Max Weber (B) F.W. Taylor
(C) Ludwig Von Bertalanffy (D) Mary Parker
99. Which of the following is not concerned of "scientific management"?
(A) Production (B) Efficiency
(C) Mechanistic Methods (D) Rationally
100. Which of the following is considered as the first principle of organisation?
(A) Delegation (B) Co-ordination
(C) Unity of command (D) Supervision
101. Find the odd one out
(A) Human Relation Theory (B) Informal Functioning
(C) Humanistic Theory (D) Structural Theory
102. Henry Fayol Supports the
(A) Humanistic approach (B) Mechanistic approach
(C) Organic approach (D) Scientific management
103. The main focus of human relation theory is on
(A) Formal Organisation (B) Informal Organisation
(C) Individual (D) Participatory Decision-making
104. "Grapevine" is a type of
(A) Written communication (B) Formal communication
(C) Informal Communication (D) Lateral communication
105. Ethics deals with the right actions of individuals." Who said?
(A) Peter F. Drucker (B) CS. Rao
(C) J.R. Betty (D) D.C. Zane
106. Which is the principle of business ethics?
(A) Principle of Aspiration of Service (B) Principle of Due Process
(C) Principle of Satisfaction (D) All of the above
107. Business ethics
(A) is based on the reality and social customs prevailing in business environment
(B) is not affected by the social approval or disapproval
(C) the base of business ethics is theology
(D) All of the above
108. Which is the element of business ethics?

- (A) A discipline (B) It is an art and science both
(C) Good intention (D) All of the above

109. Which is the techniques to improve ethical conduct of business?

- (A) Transparency in working (B) Ethics committee
(C) Ethical code of conduct (D) All of the above

110. Which is the approach to corporate planning?

- (A) Nature of demand (B) Market dynamics
(C) Management attitudes (D) All of the above

111. "Business ethics is related with the test of values of social values." Who said it?

- (A) Peter F. Drucker (B) Fredrick
(C) Keith Devis (D) JR Betty

112. "Corporate planning is the continuous process of making present entrepreneurial decisions systematically and with the best possible knowledge of their futurity." Who said?

- (A) McCanathen (B) Peter F. Drucker
(C) Hussey (D) LR. Betty

113. Which is / are argument against Corporate Social Responsibility?

- (A) Cost burden on consumers (B) Non-availability of social skills
(C) Unsupported by logic (D) All of the above

114. Which is an example of ethical codes?

- (A) We believe in more production (B) We believe in assets
(C) We believe in money (D) None of these

115. 'Best journey' is a ethical code of

- (A) Railway company (B) Hutch
(C) RIL (D) Indian government

116. The environmental analysis includes

- (A) Political conditions (B) Social factors
(C) Economic conditions (D) All of the above

117. Corporate planning consists

- (A) Automation (B) Defamation
(C) Financial accounting (D) Strategic planning

118. Which is the section of Corporate Social Responsibility?

- (A) Nature of demand (B) Market dynamics
(C) Management attitudes (D) All of the above

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(A) Automation (B) Defamation
(C) Financial accounting (D) Strategic planning
118. Which is the section of Corporate Social Responsibility?
A. Creditors b. Suppliers
(c) Professional institutions (d) All of the above
119. business ethics is dynamic
(A) Philosophy (B) Rules and regulation
(C) Concept (D) Principle
120. A code of ethics specifies the
(A) Rule of selling (B) Rule of sales promotion
(C) Target (D) Ethical rules of operation
121. Ethical codes are
(A) Statements of the norms and beliefs of an organisation
(B) Product of the firm
(C) Product of regulation
(D) Negative rule
122. Which is an example of ethical code ?
(A) We provide better service (B) We believe in customer satisfaction
(C) We believe in quality (D) All of the above
123. Which is favourable point of business ethics?
(A) Helps in professionalisation of management
(B) Reputation of business
(C) Perpetual succession
(D) All of the above
124. The principle of business ethics includes
(A) Principle of co-operation with others (B) Principle of publicity
(C) Principle of equivalent price (D) All of the above

125. The ethical issues relating to customers includes

- (A) Price of the product
- (B) Quality of the product
- (C) Safety
- (D) All of the above

126. The ethical issues relating to owners of business is / are

- (A) Safeguards to the interest of minority shareholders
- (B) Investment of capital on profitable projects
- (C) New issue of shares
- (D) All of the above

127. Ethical code is

- (A) We push the customer from the shop
- (B) Do and Die
- (C) Our first responsibility is to our customers
- (D) Let's go money

128. Business ethics is a dynamic philosophy of economic adjustment Whose field is Widening day-by-day.

- (A) Traditional
- (B) Socio
- (C) Historical
- (D) Political

129. Good ethics is good

- (A) Customers and suppliers
- (B) Value
- (C) Business
- (D) Human

130. Which factors causing ethical behaviour in business?

- (A) Public disclosure
- (B) Pressure from top executives
- (C) Inspiration from leaders
- (D) All of the above

131. Ethics is concerned With the goods worth seeking in life and With the rules that ought to govern human behaviour and

- (A) Social pressure
- (B) Social torture
- (C) Undue influence
- (D) Social interaction

132. The code of ethics of public relations practitioners are

- (A) They must never compromise on the truth due to other requirements
- (B) They must never impair human dignity and integrity
- (c) The code philosophy of the code is to uphold the universal declaration of Human Rights of the UNO
- (d) all of the above

133. The code of ethics of public relation includes

- a. they must never compromise on the truth due to other requirements
- b. they must protect the interests of the organization. They serve data to the government and the general public
- c. they must never impair human dignity and integrity
- d. all of the above

134. Which is the basic principle of ethos for management?

- a. co-operation is powerful instrument for team and success in any enterprise involving collective work
- Holistic approach indicating unity between the divine, individual self and the universe
- c. immense potential energy and talents for perfection as human being has the spirit within his heart
- d. all of the above

135. Which of the feature of Indian ethos for management approach?

- a. cost benefit
- b. empowering

- a. 1 2 3 4
- b. 5 4 3 2
- c. 3 1 4 2
- d. 2 3 4 5

139. Match the following:

List-I	List-II
a. remuneration of personnel	1. specialization
b. the scalar chain	2. order
c. unity of command	3. employee
d. division of work	4. chain of command
	5. experience of authority

Codes

- A B C D
- a. 4 3 2 1
- b. 3 4 2 1
- c. 1 2 3 4
- d. 1 4 3 2

140. Match the following

List-I	List-II
a. planning	1. management by objectives
b. organisations	2. structure
c. staffing	3. recruitment
d. individual and the group	4. personality
	5. leadership

Codes

- A B C D
- a. 4 1 3 2
- b. 1 2 3 4
- c. 1 4 3 2
- d. 1 3 2 4

ANSWER KEY'

1=D	2=A	3=D	4=D	5=D	6=D	7=D	8=A	9=A	10=D
11=D	12=D	13=D	14=D	15=A	16=C	17=C	18=D	19=B	20=C
21=D	22=D	23=D	24=D	25=D	26=D	27=D	28=D	29=D	30=D
31=A	32=D	33=D	34=D	35=D	36=D	37=B	38=B	39=C	40=C
41=D	42=B	43=D	44=A	45=D	46=D	47=D	48=D	49=A	50=D
51=B	52=B	53=D	54=D	55=D	56=A	57=A	58=D	59=B	60=D

61=D	62=A	63=A	64=A	65=A	66=A	67=C	68=C	69=D	70=C
71=D	72=A	73=D	74=D	75=D	76=D	77=B	78=C	79=C	80=C
81=C	82=D	83=D	84=D	85=C	86=C	87=A	88=C	89=C	90=B
91=C	92=A	93=C	94=D	95=A	96=C	97=B	98=C	99=C	100=B
101=D	102=B	103=C	104=C	105=A	106=D	107=D	108=D	109=D	110=D
111=A	112=B	113=D	114=D	115=A	116=D	117=D	118=D	119=A	120=D
121=A	122=D	123=D	124=D	125=D	126=D	127=C	128=B	129=C	130=D
131=D	132=D	133=D	134=D	135=A	136=C	137=A	138=A	139=C	140=B

PREVIOUS YEAR QUESTIONS

DECEMBER 2018

1. Match the items of List I with the items of List II and choose the correct answer from the code given below:

List-I	List-II
A. Structured	1. A realistic approach that yields comparable answers plus indepth insights
B. Unstructured	2. Useful to understand applicants reasoning and analytical abilities under modest stress
c. mixed	3. useful for valid results, especially when dealing with large number of applicants
d. behavioural	4. useful when the interviewer tries to probe personal details of the candidate to analyse why they are not fit for the job.

Codes

	A	B	C	D
a.	3	1	2	4
b.	4	2	1	3
c.	1	4	2	3
d.	3	4	1	2

NOVEMBER 2017

2. Statement I Management is not just a creature of the economy; it is a creator as well.

Statement II He who can manage, can manage anything.

Codes

- a. statement I is correct but statement II is incorrect.
- b. statement II is correct but statement I is incorrect.
- c. both statements are incorrect
- d. both statements are correct

3. Statement I Management control seeks to compel events to conform to plans.

Statement II Controlling is determining what is motivational to the employees of the organization.

Codes

- a. statement I is correct but statement II is incorrect
- b. statement II is correct but statement I is incorrect
- c. both statements are correct
- d. both the statements are incorrect

4. Assertion Sound planning is one of the essential elements for the success of corporate entities

Reason Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programmes from among alternatives.

- a. both A and R are correct and R is the correct explanation of A
- b. Both A and R are correct but R is not the correct explanation of A
- c. both A and R are incorrect.

A is correct but R is incorrect

December 2015

5. who among the following is not related to the planning function given by Taylor?

- a. Route clerk
- b. Time and cost clerk
- c. Inspector
- d. disciplinarian

June 2015

6. When the cost incurred on recruiting, training and developing the employees is considered for determining the value of employees, it is called

- a. the replacement cost approach
- b. the historical cost approach
- c. the opportunity cost approach
- d. none of the above

December 2014

7. Assertion MBO is effective way of planning and organizing the work

Reason Employees participate in setting the objectives

Codes

- a. both A and R are true
- b. both A and R are true
- c. A is true but R is false
- d. A is false but R is true

DECEMBER 2013

8. Strategies and policies

- a. are not closely related b. give direction
c. are the framework for performance appraisal d. both a and b

9. Arrange the following steps of management control

1. Taking corrective action from standards
2. establishing standards
3. measuring actual performance
4. comparing performance against standards

Codes

- a. 1 2 3 4 b. 2 3 4 1 c. 3 4 1 2 d. 2 4 1 3

10. Consider the following statements.

1. Planning is today's action for tomorrow's decision.
2. Planning is forward looking while controlling is looking back.
3. Motivation is about getting voluntary willingness of subordinates for action.
4. Line and staff organization is the oldest form of organization.

Which of the statement given above is correct?

- a. 2 3 b. 1 2 4 c. 1 3 4 d. all of the above

JUNE 2013

11. Assertion When span of control is wide coordination and control becomes difficult.

Reason In a narrow span levels of authority reduces

- a. both A and R are true and R is the correct explanation of A
- b. both A and R are true but R is not the correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

12. Which of the following is not a principle of management according to Henry Fayol

- a. subordination of individual interest over the organizational interest
- b. Esprit de corps
- c. Unity of managers
- d. Unity of direction

December 2012

13. Assertion All decisions taken through mental process are rational

Reason Decision making is a mental process.

- a. Both A and R are true and R is the correct explanation of A
- b. both A and R are true but R is not the correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

14. Who is considered father of scientific management?

- a. Peter F Drucker
- b. F W Taylor
- c. Victor Vroom
- d. Henry Fayol

15. Assertion Management is a continuous process.

Reason Managers first plan, then organize and finally perform the function of controlling

- a. both A and R are true and R is the correct explanation of A
- b. Both A and R are true but R is not the correct explanation of A
- c. A is true but R is false
- d. A is false but R is false

JUN 2012

16. Identify the true sequence of steps involved in planning.

- 1. selecting the best course of action
- 2. establishing the sequence of activities
- 3. establishment of objectives
- 4. evaluating alternative courses
- 5. determining alternative courses

Codes

- a. 1 2 3 4 5
- b. 3 5 4 2 1
- c. 5 4 3 2 1
- d. 3 5 4 1 2

17. Assertion One can be sure about future course of actions by making good plans.

Reason Planning brings certainty in future course of actions of an organization.

- a. R is true but A is false
- b. A is true but R is false
- c. both A and R are true
- d. both A and R are false

18. to manage a business well is to manage its future and to manage the future is to manage information is termed as

- a. management information system
- b. marketing information system
- c. future information system
- d. general information system

19. who has given 14 principles of management?

- a. Bernard b. Henry Fayol c F W Taylor d. Fleming

20. what is MBO?

- a. management by objectives b. multiple business organization
c. management by organization d. multiplicity of business operations

ANSWER KEYS

1=D	2=A	3=C	4=B	5=C	6=B	7=A	8=B	9=D	10=A
11=C	12=C	13=A	14=B	15=A	16=D	17=A	18=A	19=B	20=B

UNIT-8

HUMAN RESOURCE MANAGEMENT

1. Which of the following demographic issues represents a challenge for human resource managers?

- (A) Increasingly diverse workforce
(B) Aging workforce
(C) Increasing use of contingent workers
(D) both a and b e. all of the above

2. The proportion of women in the workforce is projected to ____.

- (A) Increase significantly over the coming decade
(B) Decrease as more women decide to stay home with children
(C) Stop growing
(D) Increase at a decreasing rate

3. What tactic will employers likely have to take to fill openings left by retiring employees?

- (A) Instituting flexible work hours
(B) Providing elder care
(C) Hiring more women
(D) Rehiring retirees

4. A ____ is a company's plan for how it will balance its internal strengths and weaknesses with external opportunities and threats in order to maintain a competitive advantage.

- (A) SWOT analysis
(B) Mission statement
(C) Strategy
(D) Tactic

5. The performance of human resource departments is evaluated based on ____.

- (A) Measurable evidence of efficiency
(B) Measurable evidence of effectiveness
(C) Anecdotal evidence
(D) Both a and b

6. The term ____ means contributing in a measurable way to achieving the company's strategic goals.

- (A) Competitive advantage
(B) Achievement success
(C) Value creation
(D) Success metric

7. Managers use a(n) ____ to measure the HR function's effectiveness and efficiency in producing employee behaviors the company needs to achieve its strategic goals.

- (A) metric
(B) HR Scorecard
(C) benchmark
(D) high performance work system

8. What term refers to the knowledge, education, training, skills, and expertise of a firm's workers?

- (A) Human resources
(B) Human capital
(C) Intangible assets
(D) Knowledge assets

9. What metric evaluates retention efforts by an organization?

- (A) Turnover costs
(B) Turnover rate
(C) Cost per hire
(D) Both a and b

10. Firms can use the ____ as a benchmark for the cost per hire metric.

- (A) Government employment report
(B) Cost Per Hire Staffing Metrics Survey
(C) Employer Costs for Employee Compensation Report
(D) Government Job Turnover Report

11. Which of these activities are not included in the scope of human resource management?

- (A) Job analysis and design
(C) Safety and health

- (B) Motivation and communication
(D) Organizational structure and design

12. Which of these is a HR Model?

- (A) The Guest Model**
(C) Mc Gregor's theory X and theory Y

- (B) Open - System Theory
(D) None of the above

13. Which of the following tasks related to recruiting and hiring is not typically handled by HR staff?

- (A) Specify necessary job qualifications**
(C) Conduct initial screening interviews
- (B) Develop pool of qualified applicants
(D) Administer tests explain benefits packages

14. The expertise of human resource departments became indispensable with the ____.

- (A) introduction of employment laws
(C) increase of women in the workforce
- (B) passing of equal employment laws
(D) both (A) and (B)

15. ____ refers to the tendency of firms to extend their sales, ownership, and/or manufacturing to new markets abroad.

- (A) Expansion
(C) Globalization
- (B) Market development
(D) Export growth

16. Most people who are classified as nontraditional workers are ____.

- (A) Contingent workers
(C) Job sharing
- (B) Independent contractors**
(D) Working multiple jobs

17. Which of the following is a type of nontraditional worker?

- a. contingent workers
b. part-time workers
c. people working in alternative work arrangements
d. people with multiple jobs

Select the answer from the codes given below:

- (A) a, b & c
(C) b, c & d
- (B) a, b & d
(D) a, b, c & d

18. What is the role of a Human Capital Manager?

- A. Unlearn old skills and acquire new skills
B. He or she seeks to fine-tune HR policies and practices to fit the culture
C. It is the responsibility of a centralised or a decentralised department.

- (A) Both A & C
(C) Both A & B
- (B) A, B and C
(D) B & C

19. Which of these is the purpose of recruitment?

- (A) Make sure that there is match between cost and benefit
(B) Help increase the success rate of the selection process by reducing the number of visibly under qualified or over qualified job applicants.
(C) Help the firm create more culturally diverse work - force
(D) None of the above

20. The poor quality of selection will mean extra cost on ____ and supervision.

- (A) Training**
(C) Work quality
- (B) Recruitment
(D) None of the above

1-The following is (are) the key components of a business process Re-engineering programme?

- a) Product development
- b) Service delivery
- c) Customer satisfaction
- d) All of the above

(Ans:d)

2-The actual achievements compared with the objectives of the job is

- a) Job performance
- b) Job evaluation
- c) Job description
- d) None of the above

(Ans: a)

3-The following is (are) concerned with developing a pool of candidates in line with the human resources plan

- a) Development
- b) Training
- c) Recruitment
- d) All of the above

(Ans:c)

4-Majority of the disputes in industries is (are) related to the problem of

- a) Wages
- b) Salaries
- c) Benefits
- d) All of the above

(Ans:d)

5-In an organisation initiating career planning, the career path model would essentially form the basis for

- a) Placement
- b) Transfer
- c) Rotation
- d) All of the above

(Ans:d)

6-Section _____ of the Industrial Disputes Act 1947, states that an employer should only retrench employees who have been most recently hired

- a) 24-F
- b) 24-G
- c) 25-F
- d) 25-G

(Ans:d)

7-Performance development plan is set for the employee by his immediate boss.

- a) Employer
- b) Department Head
- c) Immediate boss
- d) Any of the above

(Ans:c)

8-The following type of recruitment process is said to be a costly affair.

- a) Outdoor recruitment
- b) Internal recruitment
- c) External recruitment
- d) Cost remains same for both types

(Ans: b)

9-The following is (are) the objective(s) of inspection.

- a) Quality product
- b) Defect free products
- c) Customer satisfaction
- d) All of the above

(Ans: d)

10-Large recruitment ____ problematic and vice-versa

- a) Less
- b) Large
- c) More
- d) Any of the above

(Ans: a)

11-The _____ programme once installed must be continued on a permanent basis.

- a) Job evaluation
- b) Training & Development
- c) Recruitment
- d) All of the above

(Ans: a)

12-The following person has suggested the new concept which takes into account various key factors that will tell the overall performance of a job.

- a) Elliot Jecques
- b) Fred Luthas
- c) Juran
- d) None of the above

(Ans: a)

13-For closure, every worker is to be compensated with _____ average pay for every year of service completed.

- a) 15 days
- b) 20 days
- c) 25 days
- d) 30 days

(Ans: a)

14-The three important components in aligning business strategy with HR practice:

- a) Business Strategy, Human Resource Practices, Organisational Capabilities
- b) Marketing Strategy, Human Resource Practices, Organisational Capabilities
- c) Business Strategy, Human Resource Practices, Organisational structure
- d) Marketing Strategy, Human Resource Practices, Organisational structure

(Ans: a)

15-The basic managerial skill(s) is(are)

- a) To supervise
- b) To stimulate
- c) To motivate
- d) All of the above

(Ans:d)

16-The whole process of conducting a 360 - Degree Feedback process in any Organisation could last about _____.

- a) 1.5 to 3 months
- b) 3 to 6 months
- c) 6 to 9 months
- d) 9 to 12 months

(Ans: a)

17-In a re-engineering programme, when a process changes so does the _____ of the concerned employee.

- a) Designation
- b) Job profile
- c) Qualification
- d) Job experience

(Ans: b)

18-The process which is continuous and stops only when the organisation ceases to exist

- a) Training
- b) Job evaluation
- c) Hiring
- d) All of the above

(Ans:c)

19-Union leaders at different levels & at federations are elected on _____

- a) Democratic principle
- b) Political considerations
- c) Employer's recommendation
- d) Seniority basis

(Ans:a)

20-The following factor would be relatively low if supply of labour is higher than demand.

- a) Production
- b) labour cost
- c) Wage
- d) all of the above

(Ans:c)

21-The nation wide consumer councils formed by the Government comprise of representatives of

- a) Cost account and consumer
- b) Various ministries
- c) Manufactures of commerce
- d) All of the above

(Ans:d)

22-The following is (are) the option(s) while planning for surplus

- a) Reassign the jobs
c) Reduce work hours
(Ans:d)
- b) Redesign the jobs
d) All of the above

23-The following system is simple, less expensive and less time consuming.

- a) Paired comparison
c) Ranking
(Ans:c)
- b) Confidential report system
d) Checklist method

24-The following are the factors which come under ' Work planning' that is component systems of HRD

- a) Contextual analysis
c) Performance appraisal
(Ans:d)
- b) Role analysis
d) All of the above

25-_____ is the simple act of comparison & learning for organisational improvement

- a) Benchmarking
c) Ranking
(Ans:a)
- b) Feedback
d) Job evaluation

26-_____ can be defined as a written record of the duties, responsibilities and conditions of job.

- a) Job description
c) Job profile
(Ans:a)
- b) Job specification
d) None of the above

27-The three types of forecasts are

- a) Economic, employee market, company's sales expansion
b) Long, Short, Medium
c) Production, economic, company's sales expansion
d) Production, labor, economic
(Ans:a)

28-Under point method, factor(s) generally considered are:

- a) Skill, effort, Accountability
c) Wage, job enrichment, accountability
(Ans:a)
- b) Skill, job enrichment, accountability
d) Wage effort, accountability

29-HRD process variable include:

- a) Role clarity
c) Better communication
(Ans:d)
- b) Work planning
d) All of the above

30-The following is (are) included in salary survey.

- a) Average salary
c) Salary budget averages
(Ans:d)
- b) Inflation indicators
d) All of the above

31-The following is (are) the key components of a business process Re-engineering programme?

- a) Product development
c) Customer satisfaction
(Ans:d)
- b) Service delivery
d) All of the above

32-The actual achievements compared with the objectives of the job is

- a) Job performance
c) Job description
- b) Job evaluation
d) None of the above

(Ans:a)

33-The following is (are) concerned with developing a pool of candidates in line with the human resources plan

- a) Development
- b) Training
- c) Recruitment
- d) All of the above

(Ans:c)

34-Majority of the disputes in industries is (are) related to the problem of

- a) Wages
- b) Salaries
- c) Benefits
- d) All of the above

(Ans:d)

35-In an organisation initiating career planning, the career path model would essentially form the basis for

- a) Placement
- b) Transfer
- c) Rotation
- d) All of the above

(Ans:d)

36-Section _____ of the Industrial Disputes Act 1947, states that an employer should only retrench employees who have been most recently hired

- a) 24-F
- b) 24-G
- c) 25-F
- d) 25-G

(Ans:d)

37-Performance development plan is set for the employee by his immediate boss.

- a) Employer
- b) Department Head
- c) Immediate boss
- d) Any of the above

(Ans:c)

38-The following type of recruitment process is said to be a costly affair.

- a) Internal recruitment
- b) External recruitment
- c) Cost remains same for both types

(Ans:b)

39-The following is (are) the objective(s) of inspection.

- a) Quality product
- b) Defect free products
- c) Customer satisfaction
- d) All of the above

(Ans:d)

40-Large recruitment ____ problematic and vice-versa

- a) Less
- b) More
- c) Any of the above

(Ans:a)

41-The _____ programme once installed must be continued on a permanent basis.

- a) Job evaluation
- b) Training & Development
- c) Recruitment
- d) All of the above

(Ans:a)

42-The following person has suggested the new concept which takes into account various key factors that will tell the overall performance of a job.

- a) Elliot Jecques
- b) Fred Luthas
- c) Juran
- d) None of the above

(Ans:a)

43-For closure, every worker is to be compensated with _____ average pay for every year of service completed

- a) 15 days b) 20 days c) 25 days d) 30 days

(Ans:a)

44-The three important components in aligning business strategy with HR practice:

- a) Business Strategy, Human Resource Practices, Organisational Capabilities
b) Marketing Strategy, Human Resource Practices, Organisational Capabilities
c) Business Strategy, Human Resource Practices, Organisational structure
d) Marketing Strategy, Human Resource Practices, Organisational structure

(Ans:a)

45-The basic managerial skill(s) is(are)

- a) To supervise b) To stimulate
c) To motivate d) All of the above

(Ans:d)

46-The whole process of conducting a 360 - Degree Feedback process in any Organisation could last about _____.

- a) 1.5 to 3 months b) 3 to 6 months
c) 6 to 9 months d) 9 to 12 months

(Ans:a)

47-In a re-engineering programme, when a process changes so does the _____ of the concerned employee.

- a) Designation b) Job profile
c) Qualification d) Job experience

(Ans:b)

48-The process which is continuous and stops only when the organisation ceases to exist

- a) Training b) Job evaluation
c) Hiring d) All of the above

(Ans:c)

49-Union leaders at different levels & at federations are elected on _____

- a) democratic principle b) political considerations
c) employer's recommendation d) seniority basis

(Ans:a)

50-The following factor would be relatively low if supply of labour is higher than demand.

- a) production b) labour cost
c) wage d) all of the above

(Ans: c)

51-The nation wide consumer councils formed by the Government comprise of representatives of

- a) Cost account and consumer b) Various ministries
c) Manufactures of commerce d) All of the above

(Ans: d)

52-The following is (are) the option(s) while planning for surplus:

- a) Reassign the jobs b) Redesign the jobs
c) Reduce work hours d) All of the above

(Ans: d)

53-The following system is simple, less expensive and less time consuming.

- a) Paired comparison
 c) Ranking
(Ans: c)
- b) Confidential report system
 c) Checklist method

54-The following are the factors which come under ' Work planning' that is component systems of HRD

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 c) Salary budget averages
(Ans:d)
- b) Inflation indicators
 d) All of the above

62-Under training and development plan, the form is to be prepared in _____ form.

- a) Duplicate
 c) Detailed
(Ans: a)
- b) Structured
 d) None of the above

63-The process of analyzing jobs from which job descriptions are developed are called_____.

- a) Job analysis
 c) Job enrichment
(Ans: a)
- b) Job evaluation
 d) Job enlargement

64-Match the following

Question Correct option

A. The monitoring stage = 1. The firm identifies and confirms the overall business direction.

B. The clarification stage= 2. Investment on the human capital and the value placed by employees on this investment.

C. The assessment stage= 3. The firm checks the new system against strategy.

D. The design stage= 4. The firm plans the proposed changes into practice.

The correct order is

- a) A-3, B-1, C-2, D-4
- b) A-3, B-1, C-4, D-2
- c) A-1, B-3, C-2, D-4
- d) A-3, B-2, C-1, D-4

(Ans: a)

65-When effort to earn additional income through a second job does not bear fruit, such type of efforts & the consequent results may be called as

- a) Red moon lighting
- b) Blue moon lighting
- c) Yellow moon lighting
- d) Silver moon lighting

(Ans: b)

66-Which pay is one of the most crucial pay given to the employee & also shown in the pay structure?

- a) Performance
- b) Strategic
- c) Bonus
- d) Commission

(Ans: a)

67-Which of the following is (are) the HRD score card?

- a) HRD systems maturity score
- b) Competency score
- c) HRD competencies systems maturity score
- d) All of the above

(Ans: d)

68-360 -Degree Feedback enhances the quality of _____ decisions.

- a) HR
- b) Management
- c) HRD
- d) All of the above

(Ans: d)

69-In the Grid Seminars, stress is laid on _____.

- a) Teaching
- b) Professionalism
- c) Training & Development
- d) All of the above

(Ans: a)

70-The three performance counseling phases are:-

- a) Rapport building, Exploration, Action planning
- b) Support building, Exploration, Action planning
- c) Rapport building, Explanation, Action planning
- d) Rapport building, Exploration, Accurate planning

(Ans: a)

71-What is that describes the duties of the job, authority relationship, skills requirement, conditions of work etc.

- a) Job analysis
- b) Job enlargement
- c) Job enrichment
- d) Job evaluation

(Ans: a)

72. The meaning of the acronym HRM is _____?

- A. Human Relations Management
- B. Humanistic Resource Management
- C. Human Resource Management
- D. Human Resourceful Management

73. The term used before the language of modern HRM was _____ ?

- A. Labour Relations
B. Personnel Management
C. Industrial Management
D. All of the above

74. Which of the following is not a function normally performed by HR department?

- A. Accounting**
B. Recruitment and Selection
C. Pay and Reward
D. Employee Relations

75. Which of the following statements is false?

- A. Organizations are now less hierarchical in nature
B. Organizations are now generally focusing upon domestic rather than international matters
C. Organizations have adopted more flexible norms
D. Organizations have been subject to a raft of organizational change programs

76. Human Resource Management is _____ ?

- A. Employee oriented**
B. Employer oriented
C. Legally oriented
D. None of the above

77. Scope of the HRM includes _____ ?

- A. Retirement and separation of employees
B. HR training and development
C. Industrial relations
D. All of the above

78. Human Resource Management (HRM) is _____ ?

- A. A Staff function**
B. A line function
C. A staff function, line function and accounting function
D. All of the above

79. The objectives of HRM are categorized as _____ ?

- A. Personal objectives
B. Functional objectives
C. Organisational and social objectives
D. All of the above

80. The scope of HRM does not include _____ ?

- A. Retirement of employees
B. Manpower planning
C. Training of employees
D. Maintenance of accounts

81. The meaning of the acronym 'SHRM' is _____ ?

- A. Short-term Human Resource Management
B. Strategic Human Resource Management
C. Strategestic Human Resource Management
D. Strategic Humane Resource Management

82. Recruitment is widely viewed as a _____ ?

- A. positive process**
B. negative process
C. positive as well as negative process
D. none of the above processes

83. Recruitment policy usually highlights need for establishing _____ ?

- A. job specification**
B. job analysis
C. job description
D. none of the above

84. The process of developing the applicant's pool for job openings in an organization is called _____ ?

- A. Hiring
B. Recruitment
C. Selection
D. Retention

85. A brief write-up of what the job is all about is _____ ?

- A. job finding
C. job analysis
- B. job summary**
D. job specification

86. A job specification is one of the areas of _____?

- A. job analysis**
C. job description
- B. job design
D. job summary

87. The division of the total task to be performed into a manageable and efficient unit is _____?

- A. a job design**
C. a job analysis
- B. a job specification
D. a job description

88. Which of the following is the area from which applicants can be recruited?

- A. Employment Lines
C. Labour Market
- B. Employees' Association
D. Labour Schemes

89. For forecasting the demand for manpower, the important techniques used are _____?

- A. Delphi Techniques
C. Work Study Techniques
- B. Statistical Techniques
D. All of the above

90. Selection of the candidates is done out of _____?

- A. Target population**
C. external sources
- B. internal sources
D. internal as well as external sources

91. HRM is considered as _____?

- A. a reactive function
C. an auxiliary function
- B. a proactive function**
D. an auxo-reactive function

92. A job design is _____?

- A. the design involving maximum acceptable job design qualities to perform a job
B. the division of total task to be performed into manageable and efficient units
C. a systematic way of designing and determination of the worth of a job
D. none of the above

93. According to Edwin Flippo, the first and immediate product of job analysis is _____?

- A. the job description**
C. the job production
- B. the job design
D. the job specification

94. One of the important organizational factors affecting 'Job Design' is _____?

- A. Workflow**
C. Feedback
- B. Autonomy
D. Diversity

95. Behavioral factors affecting job design are _____?

- A. Autonomy
C. Feedback
- B. Diversity
D. All of the above

96. Factors affecting job design are _____?

- A. behavioral factors
C. organizational factors
- B. environmental factors
D. all of the above

97. Organisational factors affecting job design are _____?

- A. workforce and cultural factors**
C. ergonomics and cultural factors
- B. employee availability and abilities
D. feedback and diversity factors

98. The procedure for determining the duties and skill requirements of a job and the kind of person who should be hired for it is _____?

A. job analysis

C. job recruitment

B. job design

D. job description

99. A list of the duties, responsibilities, reporting relationship, working conditions and supervisory responsibilities of a job as a product of a job analysis is _____?

A. job enlargement

B. job design

C. job description

D. job enlistment

99. Job Characteristics Model is proposed by _____?

A. Hockman and Coldham

B. Hockman and Oldcham

C. Hackman and Oldham

D. Horkman and Olatham

100. The Integrated System Model of Strategic Human Resource Management acknowledges the existence within the organisation of _____?

A. multiple cultural and strategic environment

B. multiple stakeholders

C. multiple recruitment integrated system

D. multiple structural organizations

101. One of the dimensions included in the Harvard Model is _____?

A. HR outcomes interest

B. Behavioral interest

C. Stakeholders interest

D. Performance interest

102. Manpower inventory involves _____?

A. the classification of the inventory of workers in an organisation in addition to the qualities.

B. the classification of characteristics of personnel in an organisation, in addition to counting their number.

C. the classification of characteristics of managers' qualities in addition to their number.

D. the classification of characteristic features of functions for inventory in addition to the total number of functions.

103. One of the external sources of recruitment is _____?

A. retired managers and employees

B. dependents of deceased employees

C. gate hiring

D. none of the above

104. Selection is _____?

A. Subjective

B. Objective

C. Normative

D. Positive

105. Recruitment _____

A. follows selection

B. precedes selection

C. matches selection

D. none of the above

106. Manpower inventory is _____?

A. to find out how manpower is to be utilized

B. to prepare inventory for scheduling manpower

C. the data collected about the present employees of an organization

D. the data as calculated by demand forecast and compared with inventory in respect of manpower

107. E-recruiting methods include _____?

A. internet job boards

B. career websites

C. employer websites

D. all of the above

108. The Job Characteristics Model is one of the most influential attempts to _____?

A. design jobs with increased motivational properties

B. assign jobs with proper motivational properties

- C. analyse jobs with increase and proper motivation
D. describe jobs with increase motivation for proper jobs

109. High job satisfaction is the outcome of which of the following core dimensions described by the Job Characteristics Model?

- A. Task identity
C. Feedback
B. Task significance
D. Autonomy

110. Low absenteeism and turnover is the outcome of which of the following core dimensions described by the Job Characteristics Model

- A. Autonomy
C. Task Identity
B. Feedback
D. Task Significance

111. Which of the following factors is one of the environmental factors affecting job description:

- A. Workflow and culture
C. **Employee availability and abilities**
B. Autonomy and feedback
D. Culture and diversity

112. A broad, general and written statement of a specific job based on the findings of an analysis is called as _____ ?

- A. Specific Job Design
C. Specific Particular Analysis
B. Job Identification
D. Job Description

113. The Michigan Model emphasis the following functions and their interrelates.

- A. selection, recruitment, induction and promotions
B. appraisal, rewards, promotions and retention
C. selection, recruitment, rewards and promotion
D. selection, appraisal, rewards and human resource development

114. The Integrated system model is also known as _____ ?

- A. **Harvard Model**
C. Integrated Model
B. Michigan Model
D. Warwick System Model

115. A general statement or understanding which provides guidelines for decision-making to H.R. managers in respect of various H.R. functions and activities is known as _____ ?

- A. H.R. Vision statement
C. H.R. Mission statement
B. H.R. Philosophy
D. H.R. Policy

116. When an interviewer prepares a list of questions in advance and asks those question to the candidate to obtain the information from him; it is called _____ ?

- A. **a structured interview**
C. a systematic type interview
B. a well-organized interview
D. none of the above

117. When an interviewer asks the questions to the candidate according to the response received from him and the questions asked are not pre-determined in such an interview, it is called _____ ?

- A. unprepared type of interview
C. unconditional interview
B. **unstructured interview**
D. none of the above

118. Job identification is one of the components of _____ ?

- A. job specification
C. **job description**
B. job design
D. job evaluation

119. systematic and orderly process of determining the worth of a job in relation to other jobs is _____ ?

A. worth job specification

B. job description

C. job evaluation

D. job identification

120. A broad statement of the purpose, scope, duties and responsibilities of a particular job is _____?

A. job specification

B. job description

C. job analysis

D. job design

121. Job descriptions are also called as _____?

A. Task oriented

B. Task analysis

C. performance oriented

D. Credit analysis

EXPECTED MCQ'S FOR EXAM

122. The Dewey Decimal Classification divides human knowledge into

(A) 10 basic categories.

(B) 100 basic categories.

(C) 1000 basic categories.

(D) 10000 basic categories.

Answer: (A)

123. Call Number of a Book Means

(A) Book Number

(B) Class Number

(C) Both (A) and (B) are true

(D) None of the above

Answer: (C)

124. Accession Number means

(A) Call Number of a book

(B) Unique Number for a book inside a particular library.

(C) Book Number

(D) Class number

Answer: (B)

125. How many digits have in the ISSN

(A) 10

(B) 8

(C) 13

(D) 15

Answer: (B)

126. Main use of Shelf list is

(A) Cataloging

(B) Circulation

(C) Stock Verification

(D) Book Selection

Answer: (C)

127. Posting the right person at the right place is called _____

(A) Recruitment

(B) Coaching

(C) Deployment

(D) Induction

Answer: (A)

128. TQM is a system of continuous improvement employing participative management and centered on needs of the _____

(A) Customers

(B) Staff

(C) Organization

(D) Government

Answer: (C)

129. Financial support given to libraries are of two types - Recurring and

(A) Ad-hoc

(B) Endowments

(C) Annual

(D) Non-recurring

Answer: (B)

130. Principle of maximum aggregate benefit is concerned with__

(A) Growth of library

(B) Library use

(C) Library service

(D) Library fee

Answer: (C)

131. takes items of expenditure for libraries as the working data for allocation of funds.

- (A) Method of details (B) Per capita method
(C) Principle of economy (D) Library budget

Answer: (D)

132. A budget which mainly covers items of current revenue and expenditure is called __.

- (A) Programme budget (B) Welfare economics
(C) Current budgeting (D) Capital budgeting

Answer: (D)

133. The library budget of a university is passed by the ?

- (A) Senate (B) Executive Council
(C) Academic Council (D) Research Council

Answer: (B)

134. In fund accounting, _____ fund can not be used for other purposes.

- (A) Recurring (B) Non-recurring
(C) Restricted (D) Encumbering

Answer: (A)

135. Scrutiny of financial transactions is called

- (A) Budgeting (B) Programming
(C) Accounting (D) Auditing

Answer: (D)

136. What are the two parts of the annual report of the library

- (A) Primary and Secondary (B) Analytical and Systematic
(C) Upper and Lower (D) Descriptive and Statistical

Answer: (D)

137. How many columns are there in the accession register?

- (A) 10 (B) 12 (C) 14 (D) 16

Answer: (C)

138. PPBS relates to

- (A) Book selection (B) Journal selection
(C) Budgeting (D) Library records

Answer: (C)

139. Zero based budget is concerned with

- (A) Present (B) Past (C) Future (D) Remote future

Answer: (C)

140. Another term of PERT is

- (A) CPM (B) POSDCORB (C) MBO (D) HRM

Answer: (A)

141. POSDCORB is related to

- (A) Library cataloguing (B) Library reference service
(C) Library administration (D) Library automation

Answer: (C)

142. What are the standard size of the Accession Register is

- (A) 16" * 12" (B) 16" * 13"
(C) 16" * 11" (D) 16" * 18"

Answer: (B)

143. A good library building is an outcome of librarian and.

- (A) Registrar (B) Building Corporation
(C) Finance Officer (D) Architect

Answer: (D)

144. _____ are the storage areas for the various types of documents kept in a library.

- (A) Tasks . (B). Racks
(C) Stacks (D) Desks

Answer: (C)

145. Study carrels are exclusive areas meant for

- (A) Students (B) Public
(C) Women (D) Researchers

Answer: (D)

146. Library catalogue cards are filed in specially designed drawers called

- (A) Charging tray (B) Catalogue cabinet
(C) Display rack . (D) Filling equipment

Answer: (B)

147. Information Gatekeepers come under _____ sources.

- (A) Documentary (B) Human
(C) Institutional (D) Neo-conventional

Answer: (A)

148. _____ is a legal document and can be used as a source of industrial information.

- (A) Report (B) Law Review
(C) Patent (D) Specification

Answer: (D)

149. In Encyclopaedia Britannica, _____ acts as an index to macropaedia.

- (A) Bibliography (B) Introduction Part
(C) Propaedia (D) Micropaedia

Answer: (D)

150. One of the book selection principles states that "the best reading for the largest number at theCost."

- (A) Maximum (B) Medium
(C) Least (D) Zero

Answer: (C)

151. Payments for the books purchased can be made only after

- (A) Accessioning (B) Classification
(C) Cataloguing (D) Arrangement in the shelves

Answer: (A)

152. The standard size of an accession register is ?

- (A) 15" x 13" (B) 16 x 13"
(C) 12" x 5" (D) 5" x 3"

Answer: (B)

153. Technical section performs mainly two functions namely classification and

- (A) Accessioning (B) Bills payment
(C) Cataloguing (D) Shelving

Answer: (C)

154. Getting books back from the users and releasing the borrower's ticket is known as

- (A) Charging (B) Holding
(C) Reserving (D) Discharging

Answer: (D)

155. While entering the library, the personal belongings of a reader is kept in _____

- (A) Cloak Room (B) Property Counter
(C) Gate counter (D) Store room

Answer: (B)

156. Books misplaced on the shelves by readers are restored. This work is referred to as.

- (A) Shelving (B) Stock verification
(C) Shelf rectification (D) Shifting

Answer: (C)

157. Outdated and seldom used books are withdrawn from the library is known as _____.

- (A) Shelving (B) Weeding
(C) Circulating (D) Guiding

Answer: (B)

158. The objective of library binding is _____ of the library materials.

- (A) Proper organization (B) Accessibility.
(C) Durability (D) Humidity control

Answer: (C)

159. All part and pages of a volume are correctly sequenced in the first stage of binding process known as?

- (A) Sewing (B) Guard
(C) Pulling (D) Collation

Answer: (D)

160. Sheets before and after the text of a book are called _____.

- (A) End papers (B) Attach cover
(C) Head bands (D) Gilding

Answer: (A)

161. Leather being used as one of the binding materials i.e., _____ is the strongest leather.

- (A) Roan (B) Imitation
(C) Pig skin (D) Sheep skin

Answer: (D)

162. _____ has prescribed certain standards for library binding.

- (A) ILA (B) ALA (C) BLA (D) NBT

Answer: (B)

163. A skillful method of providing means mechanism and structural elements to. streamline organizational work is known as _____

- (A) Strategic planning (B) Role analysis
(C) Work culture (D) Autonomous planning

Answer: (A)

164. Calcutta Public Library was established during

- (A) 15th Century (B) 16th Century
(C) 19th Century (D) 20th Century.

Answer: (C)

165. ____ budgeting does not take into account what happened in the past but emphasizes on current activities.

- (A) Formula (B) Performance
(C) Programme (D) Zero-base

Answer: (B)

166. The library budget of a university is passed by the?

- (A) Senate (B) Executive Council
(C) Academic Council (D) Research Council

Answer: (B)

167. In fund accounting, ____ fund cannot be used for other purposes.

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(C) Restricted (D) Encumbering

Answer: (A)

168. Scrutiny of financial transactions is called

- (A) Budgeting (B) Programming
(C) Accounting (D) Auditing

Answer: (D)

169. ____ is one of the records of circulation section.

- (A) Accession Register (B) Day book
(C) Catalogue Card (D) AACR-2 (R)

Answer: (A)

170. The marketing concepts in Library Service include

- (A) analysis, planning, implementation and control
(B) advertising, planning, analysis and control
(C) distribution, control, analysis, implementation
(D) indexing, planning, control and implementation.

Answer: (B)

171. There are a few basic factors which may be applied in winning the hearts of the readers. They are

- (A) Psychological factor, environmental factor, social factor
(B) Self factor, psychological factor, service factor
(C) Service factor, philosophical factor, self factor
(D) Technological factor, service factor, self factor.

Answer: (D)

OTHER IMPORTANT QUESTIONS OF HRM

1. What is the meaning of the acronym HRM?

- a) Human Relations Management, b) Humane Resource Management,
c) Human Resource Management, d) Humanistic Resource Management.

Ans : c

2. What is the meant by the acronym CIPD?

- a) Chartered Institute of Personnel and Development, b) Chartered Institute of People and Development,
c) Chartered Institute of Personnel Directors, d) Chartered Institute of Performance Development.

Ans : a

3. What is meant by the acronym SHRM?

- a) Superior Human Resource Management, b) Sophisticated Human Resource Management,
c) Strategic Human Resource Management, d) Soft Human Resource Management.

Ans : c

4. What is meant by the acronym HCM?

- a) High Capability Management, b) High Class Management,
c) High Calibre Management, d) High Commitment Management.

Ans : d

5. Which of the following is not a function normally performed by the HR department?

- a) Employee relations, b) Accounting,
c) Training & development, d) Recruitment & selection.

Ans : b

6. What is meant by the acronym HPWS?

- a) High Performance Work Scenario, b) High Performance Work System,
c) High Pressure Work System, d) High Performance Wages System.

Ans : b

7. What is the meant by the acronym VET?

- a) Vocational Experience and Training, b) Vocational Expertise and Training,
c) Voluntary Education and Training, d) Vocational Education and Training.

Ans : d

8. What is the meant by an SME?

- a) Small Medium Enterprise, b) Small Manufacturing Enterprise,
c) Small Manufacturing Employer, d) Small Medium Employer.

Ans : a

9. Which of the following is not a type of performance appraisal?

- a) Team based appraisal, b) Appraisal of managers,
c) Customer appraisals, d) 45 degree appraisal.

Ans : d

10. What is the meaning of upward appraisal?

- a) Employees rate the performance of their manager,
b) Line managers rate the performance of employees,
c) Employees rate the performance of their peers,
d) Senior managers rate the performance of line managers.

Ans : a

11. What is meant by 360 degree appraisal?

- a) A system where feedback is obtained from peers subordinates and supervisors,
b) A system where a senior manager rates all line managers simultaneously,
c) A system where every employee rates another employee chosen at random,
d) A system where the line manager rates subordinates simultaneously.

Ans : a

12. What is meant by the 'Veblen effect'?

- a) The practice of giving everyone high ratings, b) The practice of giving everyone low ratings,
c) The practice of giving everyone average ratings, d) The practice of giving everyone random ratings.

Ans : c

13. The practice in which 'senior executives periodically review their top executives and those in the next-lower level to determine several backups for each senior or key position in the firm' is termed as –

- a) Performance appraisal,
- b) Succession planning,
- c) Management development,
- d) Training.

Ans : b

14. The two sources of recruitment are –

- a) Newspaper and Consultants,
- b) Campus and Employment Exchange,
- c) Transfer and References,
- d) Internal and External.

Ans : d

15. _____ and _____ are associated with the Hawthorne studies.

- a) Dale Yoder and Honemen,
- b) Elton Mayo and F. J. Roethlis Berger,
- c) Maslow and Herzberg,
- d) Taylor and Smith.

Ans : b

16. A human relation programme represents an attempt in improving employee _____ and _____ through an improved three way communication.

- a) Pay and Bonus,
- b) Working hour and Attendance,
- c) Morale and Motivation,
- d) Commitment and Tenure

Ans : c

17. The industrial relations activity of a personnel officer includes –

- a) Recruiting, Interviewing;
- b) Grievance Handling, Contract Negotiations;
- c) Transfer, Termination;
- d) Leadership, Motivation.

Ans : b

18. Job Analysis record included the preparation of _____ and _____.

- a) Role and Task,
- b) KRA and Appraisal,
- c) Job Description, Job Specification,
- d) Training Needs and Applications

Ans : c

19. Ramesh is conducting an interview for hiring the Sales Executive for his organization. He needs to know about the personality of the person. What method he may use –

- a) Physical examination,
- b) Reference check,
- c) Psychological test,
- d) Depth interview.

Ans : c

20. HRM is more _____ whereas Personnel Management is slightly narrow.

- a) Complex,
- b) Detailed,
- c) Mechanical,
- d) Growth-oriented.

Ans : d

21. _____ is a written record of the duties, responsibilities and conditions of the job.

- a) HRIS,
- b) Skills inventory,
- c) Job analysis,
- d) Job description.

Ans : d

22. Minimum Wages Act was passed in which year –

- a) 1910,
- b) 1948,
- c) 1950,
- d) 1947

Ans : b

23. Which of the following is not an external source of recruitment?

- a) Advertisement,
- b) Promotion,
- c) Employment agencies,
- d) Employee referrals.

Ans : b

24. The term 'Training' indicated any process by which the aptitudes skills and abilities of employees to perform specific jobs are _____.

- a) Evaluated, b) Rated, c) Decreased, d) Increased.

Ans : d

25. The best medium to reach a large audience for the process of recruitment is –

- a) Casual applicants, b) Advertising, c) Employee referrals, d) Employment agencies.

Ans : b

26. _____ is an outside third party who is brought in to settle a dispute, and he or she has the authority to make a decision.

- a) Government, b) An arbitrator, c) Union, d) Legal Expert.

Ans : b

27. Human resource management function does not involve –

- a) Recruitment, b) Selection, c) Cost control, d) Training.

Ans : c

28. Which of the following is an objective of human resource management?

- a) Productivity, b) Quality of work life, c) Organizational change, d) all these.

Ans : d

29. Which of the following is the cause of sickness of an enterprise?

- a) Lack of adequate capital, b) Lack of demand for the products,
c) Lack of raw materials, d) All of the above.

Ans : d

30. Which of the following is not the component of work study?

- a) Work measurement, b) Case study,
c) Time study, d) Motion study.

Ans : b

31. Job analysis involves –

- a) Job description and job specification, b) Job order and job description,
c) Job specification and job order, d) Job satisfaction and job description.

Ans : a

32. Labour welfare facilities were incorporated in which legislation?

- a) MRTP Act, b) Essential Commodity Act,
c) Consumer Protection Act, d) Factories Act.

Ans : d

33. Selection of persons in an organization is the responsibility of:

- a) Security department, b) Personnel department,
c) Trade unions, d) Canteen department.

Ans : b

34. Which one is not a performance appraisal method?

- a) 360 degree performance appraisal, b) Balanced score card,
c) Rank method, d) Interview method.

Ans : d

35. Which are the operative functions of HRM?

- a) Organizing, b) Directing, c) Controlling, d) All of these.

Ans : d

36. Communication can be –

- a) Oral, b) Written, c) Oral and written, d) None of these.

Ans : c

37. On-the-Job training methods are based on –

- a) Demonstration method, b) Apprenticeship method,
c) Informal training, d) all of the above.

Ans : d

38. Physical conditions of work involves –

- a) Lighting, b) Temperature, c) Rest breaks, d) all of these.

Ans : d

39. Personality test includes –

- a) Training method, b) Projective test,
c) Thematic appreciation test, d) Both 'b' and 'c'

Ans : d

40. Training information system includes –

- a) Training aids, b) Internal and external faculty,
c) Training resources, d) Training needs.

Ans : d

41. Which one is a type of test?

- a) Aptitude test, b) Personality test,
c) Achievement test, d) All of these.

Ans : d

42. Recruitment is a _____ process.

- a) Negative, b) Neutral, c) Positive, d) None of these.

Ans : b

43. Objectives of training is –

- a) Increased morale, b) Increased productivity,
c) Favorable reaction to change, d) all of the above.

Ans : d

44. Staffing includes –

- a) Work load estimation, b) Appointments of personnel,
c) Placement and induction, d) all of the above.

Ans : d

45. Functions of HRD consists –

- a) Performance appraisal, b) Career planning and development,
c) Employment, d) all of the above.

Ans : d

46. Which of the following is /are the internal sources of recruitments?

- a) Trainees, b) Extension of service,
c) Internal job posting, d) all of these.

Ans : d

47. Human Resource Audits summarize each employees' –

- a) Skills and abilities, b) Property, c) Evidences, d) Personal life.

Ans : a

48. The book HR Champions is authored by –

- a) Dave Ulrich, b) Keith Davis, c) Koontz, d) Bedaux.

Ans : a

49. Which of the following statements are false?

- a) HRM is a strategic management function, b) HRM treats employee as a resource,
c) HRM function is treated as only an auxiliary function, d) HRM is the management of talent pool.

Ans : c

50. Job Analysis can be used in compensation to identify –

- a) Service, b) Skills, c) Product, d) Cist.

Ans : c

51. HRA stands for –

- a) Human Resource Audit, b) Human Resource Accounting,
c) Human Resource Allowance, d) House Rent Act.

Ans : b

52. Human Resource Management includes –

- a) Dynamic HR planning, b) Trade unions,
c) Downsizing, d) All of these.

Ans : d

53. Which one is the motivation theory?

- a) Demand theory, b) Reinforcement theory,
c) Vroom's theory, d) Transactional analysis.

Ans : c

54. Man power planning system includes –

- a) corporate plan, b) manpower inventory,
c) manpower demand forecast, d) all of the above.

Ans : d

55. Aptitude test includes –

- a) Intelligence test, b) Skill test,
c) Mechanical aptitude test, d) all of the above.

Ans : d

56. Industrial accident may caused due to:

- a) faulty equipments and machines, b) improper working condition,
c) wrong working procedures, d) all of the above.

Ans : d

57. Which of the following are central organizations of workers?

- a) INTUC, b) AITUC, c) INC, d) UTUC.

Ans : c

58. The trade union activity in India made a beginning even before the end of ____ century?

- a) 19th century, b) 20th century, c) 18th century, d) 21st century.

Ans : a

59. Who started on agitation to draw attention of the Government to deplorable condition of women and child labour in Indian industry?

- a) Mr. Sorabjee Shapurjee,
c) Pt. Jawahar Lal Nehru,
- b) Mahatma Gandhi,
d) C. Roy.

Ans : a

60. A tripartite Industrial Committee on fair wages was appointed in –

- a) 1948, b) 1947, c) 1950, d) 1951.

Ans : b

61. Objectives of Trade Union includes –

- a) To secure better wages for the workers,
b) To protect bonus of workers,
c) To strive for better working conditions,
d) all of the above.

Ans : d

62. The Employment Exchange (Compulsory Notification of Vacancies) Act came into force in the year

- a) 1948, b) 1959, c) 1961, d) 1972.

Ans : b

63. Social capital includes –

- a) Public roads,
c) raw-materials,
- b) Equity shares,
d) all of these.

Ans : a

64. Job analysis is the basis for:

- a) Job evaluation,
- b) Performance appraisal,
- c) Job enrichment,
- d) Bargaining.

Ans : a

65. Which one is not the method of appraisal?

- a) Straight ranking, b) BARS, c) Understudy, d) Critical incident.

Ans : c

PRACTICE SETS

1. Human resource is the most important _____ in an organization.

- a. asset b. liability c. capital d. none of these

2. The ultimate responsibility for HRM activities rests with

- a. sales manager b. personal manager c. each manager d. none of the above

3. Human relations theory focuses on

- | | | |
|-----------------------------|-------------------|-----------------------|
| 1. individual | 2. System | 3. Role of individual |
| 4. Orgainsational structure | 5. informal group | |

Select the correct answer using the codes given below

- a. 1 2 5 b. 4 5 c. 3 d. 2 4

4. Human relations approach to management was originate by

- a. Henry Fayol b. FW Taylor c. Elton Mayo d. Peter F Drucker

5. Which of the following does not consists in human relations?

- a. Motivation b. Morale c. Communication d. Competition

6. Mechanism of human resource development includes
a. Job redesign
b. Rewards
c. Human resource information system
d. all of the above
7. Demand for workforce is not modified by which of the following factor?
a. retirements
b. Termination
c. Resignations and deaths
d. promotions
8. External challenges for forecasting the demand for human resources is
a. economic development
b. political, legal, social and technical changes
c. both a and b
d. none of the above
9. Which of the following is an approach to employer-employee relations?
a. Psychological approach
b. Critical approach
c. Social approach
d. Both a and b
10. Human resource management emphasizes
a. Development of people
b. Punishment of people
c. adoption of people
d. none of these
11. Which of the following statement is correct?
1. Human resource management is a strategic management function.
2. Under human resource management, employee is treated as a resource
3. Human resource management is the management of employees skills, talents and abilities
Codes
a. 2
b. 1 2
c. 1
d. all of these
12. Which one of the following does not include under the function of human resource management?
a. planning
b. organizing
c. recruitment
d. profitability
13. Which of the following statements are correct?
1. Re-engineering implies a slow and steady change in an organization.
2. The content, in which human resource are managed in today's organisations are constantly changing.
3. Employing contract labour is an example of proactive human resource management.
Select the correct answer using the codes given below
a. 1
b. 2 3
c. 2
d. all of the above
14. Human relations theory has been criticized on the ground that
1. The theory over emphasizes the human aspects of the organization.
2. It fails to take into consideration the inherent conflict between management and owners.
3. it lacks in decision making.
4. it lacks in facilitating control
5. it views organization on a close system.
Which of the following statements given above are correct?
a. 1 3
b. 2 4
c. 1 4
d. 1 2
15. Objectives of HR planning does not include
a. forecast personnel requirements
b. rigid with changes
c. use existing manpower productively and promote employees in a systematic manner.
d. all of the above
16. Which of the following is not a typically used procedure to reduce the total number of employees?
a. lay off
b. terminations
c. dawn tuens
d. early retirement inducement

17. A commonly encountered stumbling block to successful HRP is
- a. a reliance on organizational goals as basic input to the process
 - b. the incorporation of operating managers in the process
 - c. the use of quantitative forecasting techniques
 - d. an overly complicated initial efforts
18. HR needs can be estimated by examining past trends in
- a. trend analysis technique
 - b. computer model technique
 - c. mathematical model technique
 - d. none of the above
19. _____ technique uses historical rated of promotions, transfer and turnover to estimate future availabilities in the workforce.
- a. trend analysis
 - b. markow analysis
 - c. staffing table
 - d. none of the above
20. A chart showing future employmet needs foe each type of job is called
- a. staffing table
 - b. replacement chart
 - c. skill inventories
 - d. none of the above
21. An executive inventory report showing which individuals are ready to move into higher positions in the company is called
- a. succession planning
 - b. human resource planning
 - c. replacement planning
 - d. none of the above
22. HRM is a managerial perspective which argues the need to establish an integreated series of personnel policies to support organizational strategy. Who said this
- a. Bratton and Gold
 - b. Buchanan and Huczynski
 - c. Storey
 - d. None of the above
23. Consider the following statements
1. HRM views people as an important asset to be used for the benefit of the organization
 2. HRP helps to communicate HR policies to all employees
 3. HRP is forward looking
- Which of the statement given above is correct.
- a. 1
 - b. 1 3
 - c. 3
 - d. all of the above
24. Consider the following statements
1. The second step in HRP is supply forecasting
 2. Retention plan provide the scope for challenging creative and innovative work
 3. Training is understanding and interpretation of knowledge
- Which of the statement given above is correct
- a. 1
 - b. 2
 - c. 1 2
 - d. all of the above
25. Arrange the following steps of human resource planning in correct order.
1. supply forecasting
 2. analyzing the organizational plans.
 3. estimating the net human resource requirement
 4. forecasting the overall human resource requirements
- Codes
- a. 4 3 2 1
 - b. 2 4 1 3
 - c. 3 1 4 2
 - d. 1 3 2 4
26. Arrange the following steps of human resource planning in correct order.
1. action plan for recruitment, development etc.
 2. action plan for redeployment redundance retrenchment.

3. modify the organizational plan,
4. forecast future supply from all the sources

Codes

- a. 3 2 1 4 b. 2 4 1 3 c. 4 3 2 1 d. 3 1 4 2

27. Which of the following statement is correct?

- a. there is no restriction on the number of candidates in case of selection.
- b. internal sources of recruitment is costly
- c. HRM is a much broader concept and staffing is an inherent part of it
- d. all of the above

28. Which of the following statement is correct?

- a. the managerial functions and operating functions of human resource management are performed in conjunction with each other.
- b. operating function provides medical aid to employees
- c. bonus can be given to an employer also
- d. all of the above

29. Which of the following statement is incorrect?

- a. Human resources planning aims at optimum utilization of the resources
- b. Internal sources of recruitment facilitates boosting of employees morale
- c. external sources of recruitment is a costly process
- d. none of the above

30. Which of the following statement is correct?

- a. HRM has replaced the traditional concepts of labour welfare and personnel management
- b. human resource personnel does not recruit the personnel
- c. the role of labour welfare officer was not limited to welfare activities of employees
- d. none of the above

31. The best way of recruiting is always

- a. walk-ins
- b. advertisement
- c. variable
- d. renewals

32. The primary source of information for recruiting is

- a. job analysis
- b. managerial interviews
- c. recruiter themselves
- d. none of the above

33. aptitude tests measure

- a. an applicants capacity and his potential for development
- b. the individuals learning ability
- c. the skill already acquired by the individuals
- d. none of the above

34. The most common constraints on recruiting include all but

- a. image of a firm
- b. budgetary support
- c. interviewing
- d. government policies

35. Internal sources of recruitment include

- a. direct recruitment
- b. re-employment of ex-employees
- c. casual callers
- d. all of the above

36. The external source of recruitment are

1. lay-off
2. Causal callers
3. recommendations
4. Campus recruitment

Select the correct answer using the codes given below

- a. 1 2 b. 1 2 3 c. 1 4 d. 2 3 4

37. Recruitment is concerned with the process of

- a. selection of right candidate b. developing a pool of potential employees
c. inviting applications for jobs d. none of the above

38. Ultimately selection decisions are based on

- a. turnover potential b. human resource plans
c. performance issues d. none of the above

39. The most reliable and valid tests are generally

- a. attitude tests b. intelligence tests
c. performance tests d. none of these

40. the test is reliable, if a person

- a. scores differently than others taking the same test
b. scores the same at two or more different point in time
c. scores the same as others taking the same test
d. none of the above

41. _____ are important sources of clerical and managerial personnel.

- a. employment exchange b. search firms
c. vocational school d. none of these

42. Which of the following is not the internal source of recruitment?

- a. promotion b. transfer c. trainee d. placement

43. Which of the following challenges are faced by recruiters?

- a. environmental conditions b. affirmative action plans
c. both a and b d. none of the above

44. Which of the following are types of a selection test?

- a. personality test b. aptitude test
c. mentality test d. all of these

45. The advantages of the lecture method include

- a. economy b. feedback
c. participation d. all of these

46. A frequency used analysis for determining training needs involves

- a. organizational analysis b. task or role analysis
c. person analysis d. physical resource analysis

47. In creativity training, trainees often focus on

- a. breaking away b. generate new ideas
c. delaying judgement d. rigidity

48. The human resource system does not cover under training and development

- a. recruit and select b. Job design and evaluation
c. Train and develop d. Demotion

49. Objective training does not include

- a. favourable reaction to change b. increased productivity
c. increased morale d. increased competition

50. Transfer of executives from one location to another is called

- a. job rotation
- b. job displacement
- c. mentoring
- d. none of these

51. Which of the following is an on-the-job method of training

- a. internship
- b. apprenticeship
- c. coaching
- d. lecture

52. Method of training suitable for plumbers, electricians or iron worker is

- a. coaching
- b. vestibule training
- c. apprenticeship programme
- d. none of the above

53. Which of the following relates to training workers?

- a. job rotation
- b. induction
- c. vestibule
- d. task

54. An interview conducted at the time of an employee leaving the organization is called

- a. exit interview
- b. feedback interview
- c. convincing interview
- d. directed interview

55. Arrange the following steps involved in recruitment and selection procedure in correct order

- 1. application blank
- 2. Interviewing
- 3. requisition
- 4. Medical test
- 5. On the job test & selection
- 6. Psychological test
- 7. Recruitment
- 8. Trade test

Codes

- a. 3 1 4 2 8 5 7 6
- b. 2 4 6 8 1 3 5 7
- c. 3 7 1 8 6 2 4 5
- d. 1 2 3 4 5 6 7 8

56. Which of the following statement is not correct?

- a. external sources of recruitment are time consuming
- b. through external sources of recruitment existing staff, is motivated to improve their performance.
- c. both a and b
- d. none of the above

57. Input to the selection process include all except

- a. Job analysis
- b. job application
- c. Human resource planning
- d. Supervision

58. Which of the following are true regarding internal sources of recruitment?

- 1. Economical
- 2. suitable for picking the right candidate having requisite skill
- 3. wide choice
- 4. Discourages entry of talented people.

Select the correct answer using the codes give below

- a. 1 2
- b. 1 2 4
- c. 3
- d. all of the above

59. A private employment agency that maintains computerized list of qualified applicants and supplies, these to employers for a fee is called

- a. employment exchange
- b. search firms
- c. outsourcing
- d. none of the above

60. Which of the following statements is incorrect?

- a. intelligence tests are used to evaluate occupational proficiency

- b. Employment tests are meant to screen out unsuitable conditions
c. both a and b
d. none of the above

61. Consider the following statements.

1. external sources of recruitment offer wider choice of candidates.
2. advertisement is an internal source of recruitment.
3. transfer is an internal source of recruitment.

Which of the following statements given above is correct?

- a. 2 3 b. 3 c. 1 3 d. all of the above

62. The objectives of the selection decision is to choose the individual who can most successfully perform the job from the pool of

- a. qualified candidates b. unqualified candidates
c. qualified expert d. none of the above

63. Consider the following statements.

1. selection is a positive process.
2. selection ensures that the organization gets the best among the availability.
3. Selection leads to a contract of service between the employer and employee.

Which of the statements given are correct?

- a. 1 b. 2 3 c. 1 3 d. all of the above

64. Which of the following statements are incorrect?

- a. interest tests are used to know the investment of a person for the job
b. aptitude test measures the actual skills possessed
c. both a and b
d. all of the above

65. Consider the following statements.

1. Invitation of interested people
2. preparing the list of deserving applicants.
3. Requisition of employees
4. Identification of the sources of recruitment

Which of the following statements given are correct.

- a. 1 3 2 4 b. 3 2 4 1 c. 4 3 1 2 d. 3 4 1 2

66. Arrange the following steps of selection process in correct sequence.

1. preliminary screening and interview
2. job offer and contract of employment
3. selection test and employment interview
4. selection decision and medical examination

Codes

- a. 1 2 3 4 b. 1 3 4 2 c. 1 3 2 4 d. 1 4 3 2

67. Which among the following is a part of psychological tests?

1. aptitude test 2. General knowledge test
3. personality test 4. Trade efficiency test

Select the correct answer using the codes given below

- a. 1 2 b. 1 3 c. 2 4 d. 2 3 4

68. Personality test aim at

1. measuring the basic make up of the individual.
2. Measuring the candidates skill and knowledge
3. Measuring the learning capacity of a candidate

4. measuring the ability candidate how he or she interact with others, how much he or she influence and motivate them,

Which of the statements given above are correct?

- a. 1 2 b. 1 4 c. 1 2 4 d. 2 3 4

69. _____ - involves a continuous flow of instruction, comments and suggestions from the manager to the subordinate.

- a. coaching b. understudy
c. behavior modelling d. none of the above

70. _____ is employed to develop a situation that is close to reality, where people learn by doing things.

- a. simulation method b. understudy method
c. in basket method d. none of the above

71. tranining does not involves

- a. identification of traning needs of the individuals and the company.
b. developing suitable training programmes
c. evaluating the effectiveness of training programmes
d. demoralization of employees

72. the career planning and development process if also part of comprehensive organization development

- a. process b. project c. both a and b d. none of these

73. Training and development refers to the total structure of on the job training systems used by the

- a. candidates b. organization c. expert d. none of these

74. Consider the following statements.

1. Training is required at different levels, namely for unskilled worker, semi-skilled workers, skilled workers, office, staff, supervisory staff and managerial.
2. semi-skilled workers are selected amongst the unskilled workers who have made themselves convergent with the handling of the machine.
3. Management training has become an essential activity of ecery firm.
4. Training programmes should not be periodically evaluated to determine its effectiveness.

Which of the following statements given above is correct?

- a. 1 2 b. 1 2 3 c. 2 d. all of these

75. The method and process of training should be _____ related to needs and objectives of an organization.

- a. directly b. indirectly c. equally d. none of the above

76. A process by which participants provide their ideas on a stated problem during a free group discussion is called

- a. brain storming b. coaching c. business game d. behavior modelling

77. Arrange the following steps involved in training programme in correct order.

1. presentation of operations and knowledge 2. getting ready for the job
3. follow-up 4. performance try out
5. preparation of the learner 6. Discovering training needs

Codes

- a. 6 2 5 1 4 3 b. 3 1 5 6 4 2 c. 6 1 5 3 4 d. 1 2 4 5 3 6

78. which of the following statements is incorrect?

- a. development imports technical, human and conceptual skills
b. training is manager centred
c. development is a continuous activity

d. none of the above

79. Which of the following are considered as development function of human resource development?

- | | |
|------------------------------------|--------------------------|
| 1. training | 2. Executive development |
| 3. career planning and development | 4. Pay and allowance |

Select the correct answer using the codes given below

- | | | | |
|----------|----------|----------|--------|
| a. 1 2 3 | b. 1 3 5 | c. 2 3 4 | d. 2 3 |
|----------|----------|----------|--------|

80. Which of the following statement is not true?

- a. education is the process of increasing the knowledge and understanding of employees
- b. education develops future managers
- c. lectures, conferences are the methods used in development
- d. none of the above

81. Which of the following statements are incorrect?

- a. job rotation facilitates easy promotions, replacements or transfers
- b. selection seeks to attract suitable applicants to apply for available jobs
- c. training is job oriented process
- d. all of the above.

82. Which of the following statements is correct?

- 1. training imparting skill for doing a particular job.
- 2. Training and development involve all round knowledge of present and future
- 3. training and development programme are organised for short or larger period of time.
- 4. Development is associated with the overall growth of the executive

Select the correct answer using the codes given below

- | | | | |
|----------|--------|--------|--------|
| a. 1 2 3 | b. 3 4 | c. 1 4 | d. 1 2 |
|----------|--------|--------|--------|

83. Making progress in one's career through a series of right moves is called

- | | |
|-----------------------|-----------------------|
| a. career progression | b. career development |
| c. career planning | d. none of the above |

84. A condition of stagnating in one's current job is called

- | | |
|----------------------|------------------|
| a. mid-career crisis | b. plateauing |
| c. reality shock | d. none of these |

85. Career progress largely depends on

- | | |
|------------------|-----------------|
| a. performance | b. experience |
| c. qualification | d. all of these |

86. All employees have _____ career goals

- | | |
|------------|------------------|
| a. similar | b. dissimilar |
| c. no | d. none of these |

87. people pursue careers to satisfy deeply

- | | |
|----------------------|-------------------------|
| a. individual needs | b. organizational needs |
| c. leadership skills | d. none of the above |

88. succession planning must be ___ - with the future strategic direction of the company.

- | | |
|------------------|-----------------|
| a. consistent | b. inconsistent |
| c. in accordance | d. both a and c |

89. career planning is the responsibility of

- | | |
|-----------------|-----------------------|
| a. government | b. career counsellors |
| c. the employer | d. the sponsor |

90. which of the following words does not decrease perception?

- a. a passive process
- b. a psychological process
- c. no direct contact with the physical world
- d. using sense organs

91. group are called _____ if jobs are similar

- a. classes
- b. grades
- c. scales
- d. roles

92. the ability of one person to influence another is _____.

- a. power
- b. responsibility
- c. authority
- d. none of these

93. Which of these suggestions is not an effective way to deal with stress?

- a. meditation
- b. aggressiveness
- c. talking with others
- d. all of the above

94. a concern or value that employee will not give up, if a choice has to be made is called

- a. career path
- b. career anchors
- c. career survival
- d. career dynamics

95. The loss of employees, who quit an organization for various reasons?

- a. downsizing
- b. retrenchment
- c. attrition
- d. none of the above

96. succession management focuses attention on creating and atocking pool of candidates with _____ leadership potential.

- a. high
- b. low
- c. no
- d. different

97. a programme that encourages young managers with high potential to remain within an organization by enabling them to advance more rapidly than those with less potential.

- a. fast track programme
- b. career development workshop
- c. career mentoring
- d. none of the above

98. Which of the following statements are correct?

- a. all employees have similar career goals
- b. good performance is always recognized by managers
- c. career planning helps the managements of a diverse workforce
- d. all of the above

99. consider the following statements

- 1. career planning helps the management of a diverse workforce
- 2. all employees have similar career goals

Which of the statements given above is correct?

- a. 1
- b. 1 2
- c. 2
- d. none of the above

100. arrange the following in chronological order about steps of succession planning process.

- 1. document and implement succession plans.
- 2. identify competencies
- 3. identify critical positions
- 4. identify succession management strategies

Codes

- a. 4 1 2 3
- b. 3 2 4 1
- c. 2 4 1 3
- d. 1 3 2 4

101. arrange the following in chronological order about steps of succession planning in a correct order.

1. evaluate effectiveness
2. document and implement succession plans
3. identify succession management strategies

Codes

- a. 3 2 1 b. 1 2 3 c. 2 3 1 d. 3 1 2

102. consider the following statements.

1. employees only have themselves to blame for stalled careers
2. all employees have similar career goals
3. career development aims at tracking career sponsor

Which of the statements given above is correct?

- a. 2 b. 1 2 c. 1 d. none of the above

103. Which of the following personality characteristics are associated with people who are likely to exhibit violent behavior on the job?

- a. neurotic b. extraverted c. optimistic d. type A

104. The field of organizational behavior examines such questions as the nature of leadership, effective team development and

- a. Inter-personal conflict resolution
- b. organisational control, conflict management
- c. motivation of individuals, planning
- d. planning development

105. we can define _____ as activities people performs to acquire, enhance and use power and other resources to obtain their preferred outcomes in a situation of uncertainty or disagreement.

- a. organizational politics
- b. collective bargaining
- c. executing authority
- d. position power

106. stress can affect not only your health but also other aspects of your life. What else can be affected by stress?

- a. family relationships
- b. work performance
- c. both a and b
- d. none of these

107. chronic stress is the stress that wears at people day after day. Which of these is an example of chronic stress?

- a. an unhappy marriage
- b. ongoing money problems
- c. both a and b
- d. none of the above

Directions (Q Nos 108 – 111) In the questions given below are two statements labelled as Assertion and Reason. In the context of two statements, which one of the following is correct?

- a. both A and R are true
- b. both A and R are false
- c. A is true but R is false
- d. A is false but R is true

108. Assertion HR planning is essential to determine the future manpower needs in an organization.

Reason It would be difficult to have the services of right kind of people at the right time in absence of HR planning.

109. Promotion is time based rather than service based in case of recruitment from internal sources.

Reason Length of service based promotion is blessing for efficient candidates.

110. Assertion Organisational policies set to achieve uniformity, economic public relation benefits or other objectives that are sometimes related to recruiting.

Reason Promote from within policies are intended to give present employees the first opportunity for job openings.

111. Assertion Succession planning is hiring from within

Reason Purpose of succession planning is to identify and develop people to replace current job holders in key positions. It ensures steady flow of internal talent to fill important vacancies

Directions (Q Nos 112 – 119) In the questions given below are two statements, which one of the following is correct?

- a. both A and R are true and R is the correct**
- b. both A and R are true but R is not the correct explanation of A**
- c. A is true but R is false**
- d. A is false but R is true**

112. Assertion Human resource help organization to reach its goal.

Reason Human resource manager need to get the right people into right place at the right time.

113. Assertion Each role must have enough stresses which may help the role occupant to stretch himself to meet the challenge. In the role where the scope is limited to routine work, the role occupants do not perceive any challenge.

Reason While every role has some routine elements., challenge can also be incorporated into every role, however, the challenge should not exceed an optional limit, otherwise it may produce dysfunctional stress, resulting in poor performance or damage to the health of the employee in the long run.

114. Assertion Human resource management helps organization to reach its goals.

Reason Human resource management helps to communicate HR policies to all employees.

115. Assertion Human resource planning helps to forecast personnel requirement.

Reason Human resource planning is backward looking.

116. Assertion Education is broader in scope than training.

Reason Education is understanding and interpretations of knowledge.

117. Assertion Development means mental growth of an employee.

Reason Development is described as non-executive development.

118. Assertion Selection is a comprehensive process, negative in nature.

Reason Selection started from psychological test and end with medical examination.

119. Assertion : Recruitment is a negative process

Reason: Large number of persons are attracted to submit their application in process of recruitment.

120. Match the following

List-I	List-II
a. productivity	1. process of integrating the employees needs and aspirations with organizational needs
b. effective	2. using the minimum amount of resources to produce goods and services
c. efficient	3. producing the right goods or services society which deem as appropriate
d. career planning	4. the ratio of an organizations output to its inputs

Codes

	A	B	C	D
a.	4	3	2	1
b.	3	4	2	1
c.	1	2	3	4
d.	3	2	1	4

121. Match the following

List-I	List-II
a. markov analysis	1. files of personnel education, experience, interest, skill etc that allow managers to quickly match job openings with employee backgrounds
b. replacement chart	2. study of firms past employment needs over a period of years to predict future needs.
c. skill inventories	3. method for tracking the pattern of employee movements through various jobs
d. trend analysis	4. a profile of job holders department wise and offers a snapshot of who will replace if there is a job openings.

Codes

	A	B	C	D
a.	3	4	1	2
b.	4	3	1	2
c.	2	1	3	4
d.	3	1	4	2

122. Match the following

List-I	List-II
a. human resource planning	1. putting the right person to the right job
b. aptitude test	2. a nominal amount which the candidates carrying intership get
c. staffing	3. knowing how many persons and of what type of organisation needs to perform various jobs and accomplishment of organizational goals
d. stipend	4. measure of individuals potential for learning new skills

Codes

	A	B	C	D
a.	4	3	2	1
b.	3	4	1	2

- c. 2 1 4 3
- d. 4 1 2 3

123. Match the following

List-I	List-II
a. Buchanan and Hucznski	1. Planning, organizing, controlling of procurement , development, compensation, integration of human resource to the end that objectives are achieved.
b. Storey	2. HRM is the process by which management determines how the organization should move from its current manpower position to its desired manpower position.
c. Flippo	3. HRM is a managerial perspective which argues the need to establish an integrated series of personnel policies to support organizational strategy.
d. Vetter	4. HRM is a distinctive approach to employment management, which seeks to achieve competitive advantage through the strategic development of a highly committed and capable workforce.

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 4 | 3 | 2 | 1 |
| b. | 3 | 4 | 1 | 2 |
| c. | 2 | 3 | 4 | 1 |
| d. | 4 | 1 | 2 | 3 |

124. Match the following

List-I	List-II
a. human resource	1. its objective is to create a pool of the prospective job candidates
b. Human resource planning	2. it involves growth of an employee in all respects
c. development	3. get qualified people at right time
d. recruitment	4. it focuses on managing physical and emotional capital of employees

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 4 | 3 | 2 | 1 |
| b. | 2 | 3 | 4 | 1 |
| c. | 3 | 1 | 4 | 2 |

d. 4 3 1 2

125. Match the following

List-I	List-II
a. assessment centre	1. informing applicants about all aspects of the job, including both its desirable and undesirable facts
b. test	2. a standard objective measure of a persons behavior, performance or attitude
c. simulation	3. a technique that evaluates employee potential through multiple type of group and individual exercises and multiple rates
d. Realistic Job or preview	4. A test duplicates many of the activities and problems, an employee faces while at work

Codes

	A	B	C	D
a.	3	2	4	1
b.	2	1	3	4
c.	1	2	3	4
d.	4	1	3	2

126. Match the following

List-I	List-II
a. recruitment	1. It is a recommendation from a current employee regarding a job applicant
b. employee referral	2. the process of picking individuals who have relevant qualifications to fill jobs in an organization
c. selection	3. the process of finding and attracting capable applicants for employment
d. campus recruitment	4. it is a method of recruiting by visiting and participating in college campuses and placement centre

Codes

	A	B	C	D
a.	1	2	3	4
b.	3	1	2	4
c.	2	1	3	4
d.	4	1	2	3

127. Match the following

List-I	List-II
a. transfer	1. Internet is becoming a common source of recruitment

b. advertisement	2. it helps the organisations to recruit technical professional and managerial personnel
c. web publishing	3. it gives the management a wider range of candidates from which to choose
d. management consultants	4. it can also be used for training of employees in learning different jobs

Codes

	A	B	C	D
a.	4	3	2	1
b.	4	3	1	2
c.	2	1	4	3
d.	3	1	4	2

128. Match the following

List-I	List-II
a. on-the-job training	1. under this method, trainee is separated focused on learning the material related to his future performance
b. off the job training	2. mostly the executive training is done on the job. An executive is expected to learn his work while working
c. understudy method	3. the executive under this method is assigned an understudy or an assistant, who in addition to his regular duties is expected to acquire some familiarity with the tasks and practices of his superior.
d. role playing method	4. under this method, an employee learn by playing a role in dramatic setting which corresponds to his work.

Codes

	A	B	C	D
a.	1	2	3	4
b.	2	1	3	4
c.	2	3	4	1
d.	4	2	3	1

129. Match the following

List-I	List-II
a. job rotation	1. the process of diagnosing present problems and future challenges to be met through training and development
b. needs assessment	2. moving employees to various position in the organization to expand their skills, knowledge and abilities

c. job instruction training	3. a broader long-term function educational programme offered to carry out non-technical functions more effectively
d. development	4. a systematic approach consisting of preparing the trainees presenting the instruction, having trainees try out the job and placing trainees on the job with a designated resource person.

Codes

	A	B	C	D
a.	2	1	4	3
b.	1	2	3	4
c.	2	4	1	3
d.	4	3	1	2

130. Match the following

List-I	List-II
a. Dale Yoder	1. The process by which management determines how the organization should move from its current manpower position to its desired manpower position.
b. beach	2. training is the process by which manpower is filed for the particular jobs it is to perform
c. Flippo	3. Training is the organized procedure by which people learn knowledge and skills for definite purpose
d. Vetter	4. Training is the act of increasing the knowledge and skill of an employee for doing a particular job

Codes

	A	B	C	D
a.	4	3	2	1
b.	2	3	4	1
c.	3	1	4	2
d.	4	3	1	2

ANSWER KEYS

1=A	2=C	3=B	4=D	5=D	6=A	7=D	8=C	9=D	10=A
11=A	12=D	13=B	14=D	15=B	16=C	17=D	18=A	19=B	20=A
21=A	22=B	23=B	24=A	25=B	26=B	27=C	28=A	29=D	30=A
31=C	32=A	33=A	34=C	35=B	36=B	37=B	38=C	39=C	40=B
41=B	42=D	43=C	44=B	45=A	46=D	47=D	48=D	49=D	50=D
51=A	52=C	53=C	54=A	55=C	56=B	57=D	58=C	59=B	60=A
61=C	62=A	63=B	64=B	65=D	66=C	67=B	68=B	69=A	70=A

71=D	72=A	73=B	74=B	75=A	76=A	77=A	78=B	79=A	80=B
81=B	82=C	83=A	84=B	85=A	86=B	87=A	88=D	89=C	90=A
91=A	92=A	93=B	94=A	95=C	96=A	97=A	98=C	99=A	100=B
101=A	102=D	103=A	104=A	105=A	106=C	107=C	108=A	109=C	110=A
111=A	112=A	113=A	114=A	115=C	116=A	117=B	118=C	119=D	120=A
121=A	122=B	123=B	124=A	125=A	126=B	127=B	128=B	129=A	130=B

PREVIOUS YEAR QUESTIONS

DECEMBER 2018

- which one of the following is not an advantage of external recruitment?
 - good performance is rewarded
 - scope for resentment, jealousies and heartburn are avoided
 - compliance with reservation policy becomes easy
 - benefits of new skill, new talents and new experiences to organisations are available
- Which one of the following initiatives is not the strategy for managing shortage of employees in an organization
 - attempt to reduce turnover
 - offer incentives to postpone retirement
 - hire temporary employees
 - employee training
- According to Donald Kirkpatrick, training programmes can be evaluated at four levels, indicate the code of correct sequence from the following.
 - result
 - Reaction
 - Learning
 - behavior
 Choose the correct answer from the codes given below
 - 1 2 3 4
 - 3 4 1 2
 - 2 3 4 1
 - 3 1 2 4
- Assertion Training aids in encouraging and achieving self-development and self-confidence.
Reason It helps a person handle stress, tension, frustration and conflict
 - both A and R are correct and R is the right explanation of A
 - both A and R are correct but R is not the right explanation of A
 - both A and R are incorrect
 - A is correct but R is not correct

July 2018

- The VRIO framework used in HR function in today's era refers to four criteria. Identify the correct code which stands as correct explanation to VRIO as proposed by Barney?
 - valence - recruiting - industrial relations - opportunities
 - vision - rewards-improvements - options
 - value-rarity-imitability-organisation
 - versatile-resources-information-outsourcing
- Assertion Induction is an informal information sharing session on miscellaneous issues in a organization.
Reason The rationale of induction is to ensure effective integration of staff into or across the organization for their mutual benefits
Codes
 - both A and R are correct and R is the correct explanation of A
 - Both A and R are correct but R is not the correct explanation of A
 - A is correct but R is incorrect
 - A is incorrect but R is correct

7. select the correct code of the following statements being correct or incorrect.

1. Strategic HRM focuses on specific organizational intentions about what needs to be done while HR strategies focus on long term issues only.
2. Strategic HRM focuses on macro concerns such as structure and culture while HR strategy focuses on specific issues assigned.
3. Human resource strategy decisions are derived from strategic HRM

Codes

- a. statement I and II are correct while statement III is incorrect
- b. statement II and III are correct while statement I is incorrect
- c. statement I and III are correct while statement II is incorrect
- d. all the statements are correct

November 2017

8. from the following two statements of Assertion and Reason. Indcate the correct code

Assertion Development in HRM is a short term educational process with temporary interventions.

Reason It is an educational process utilizing a systematic and organized procedure for development of operative employees performance in current jobs

- a. A is correct R is correct explanation of A
- b. A is correct but R is not correct explanation of A
- c. A is not correct but R is correct
- d. A and R are not correct

9. Put the following steps of discrete selection process in correct sequence and select the correct code.

1. preliminary interview
2. Completion of application blank
3. background investigation
4. Physical examination
5. employment tests
6. Comprehensive interview
7. final employment decision

Codes

- a. 2 1 3 4 5 6 7
- b. 2 1 5 6 3 4 7
- c. 1 2 5 6 3 4 7
- d. 1 2 4 3 5 6 7

December 2017

10. Human resource planning benefits to an organisation are reflected in which of the combination of the following

1. balance between demand and supply of human resources
2. non-compulsion on management to assess critically and continuously the employees and personnel policeies
3. duplication of efforts and conflicts are avoided
4. Minimising the future returns on investment in human resources

- a. both 1 2
- b. 1 3
- c. 1 2 3
- d. 1 3 4

11. Match the list I with list II relating to human resource planning activities and indicate the code of correct matching

List-I	List-II
a. forecasting	1. optimal employment
b. inventorying	2. development activities
c. anticipation manpower problems	3. mathematical projections of industria trends
d. planning programmes	4. projecting present resources into future

Codes

- | | A | B | C | D |
|----|---|---|---|---|
| a. | 2 | 1 | 4 | 3 |
| b. | 1 | 4 | 3 | 2 |
| c. | 4 | 2 | 1 | 3 |

d. 3 1 4 3

12. Assertion Recruitment is positive while selection is negative in its application.

Reason Recruitment aims at increasing the job seekers while selection rejects a large number of unqualified applicants.

- a. A is correct but R is not correct
- b. A and R both are correct but R is not the correct explanation of A
- c. A and R both are correct and R is the correct explanation of A
- d. A and R both are incorrect.

July 2016

13. Examine the following statements and choose the correct code.

Assertion Human resource planning must always be seen within the strategy making context.

Reason Human resource planning process removed from the realities of the business will be a waste of time.

Codes

- a. both A and R are correct
- b. both A and R are incorrect
- c. A is correct but R is incorrect
- d. A is not correct but R is correct

December 2015

14. Which of the following is the most serious problem that might arise due to excessive reliance on internal recruitment?

- a. reduced job performance
- b. high labour turnover
- c. lack of motivation
- d. internal resistance

15. Assertion Human resource accounting is the measurement of the cost and value of people to the organization.

Reason Human resource accounting involves measuring costs incurred by the organisations to recruit, select, hire, train and develop employees and judge economic value to the organisation

Codes

- a. A and R are true and R is the correct explanation of A
- b. A and R are true but R is not the correct explanation of A
- c. A is true but R is false
- d. Both A and R are false

JUNE 2015

16. Which of the following is not a basic objective of HRM?

- a. to attract HR into the organization
- b. To develop and motivate HR for better performance
- c. to have the reward and punishment system for HR
- d. to integrate and maintain HR in the organization

17. what is gate hiring?

- a. to select people who approach on their own for employment in the organization
- b. to select people who are recommended by the employees
- c. to select people from public employment exchanges
- d. to select people supplied by public contractors

18. Which one of the following is a traditional method for selection of personnel?

- a. interview
- b. selection test
- c. phrenology
- d. aptitude test

19. The method of training in crafts, trades and technical areas is known as
a. vestibule training b. coaching c. mentoring d. apprenticeship

20. which of the following are not part of staffing process?

- | | | | |
|-----------------------------|--------------------------|--------------|----------------------------|
| 1. HRP | 2. Recruitment | 3. Selection | 4. Induction & orientation |
| 5. training and development | 6. Performance appraisal | 7. Transfers | |
| 8. separation | | | |

Select the correct answer using the codes given below

Codes

- a. 5 6 7 8 b. 7 8 c. 6 8 d. none of the above

December 2014

21. the process of narrowing a large number of candidates to a similar field is called
a. rushing b. recruitment c. selection d. enrollment

JUNE 2014

22. which of the following is not included in the model of the system approach to human resource management?

- a. departmentation b. recruitment c. performance appraisal d. promotion

December 2013

23. Which of the following are methods of in-the-job training?

- | | | |
|-----------------|----------------------------|------------------|
| 1. coaching | 2. Vestibule training | 3. Demonstration |
| 4. role playing | 5. Apprenticeship training | |

Select the correct answer using the codes given below

Codes

- a. 1 2 3 4 b. 1 3 5 c. 2 3 4 d. all of the above

JUNE 2013

24. HRM is viewed as a management process, consisting of four functional activities

- | | | |
|--------------------------------------|----------------|----------------|
| 1. acquisition | 2. Motivation | 3. Development |
| 4. resolution of industrial disputes | 5. Maintenance | |

Select the correct answer using the codes given below

Codes

- a. 1 2 3 4 b. 1 2 3 5 c. 1 2 4 5 d. 1 3 4 5

December -2012

25. HRM does not include

- a. job evaluation b. performance appraisal c. sales promotion d. job enrichment

JUNE 2012

26. Which of the following are covered under the scope of human resource management?

- | | |
|-------------------------------------|--|
| 1. forecasting human resource needs | 2. Replacement planning |
| 3. human resource dynamics | 4. Human resource development planning |
| 5. human resource audit | |

Select the correct answer using the codes given below

- a. 1 3 5 b. 1 2 3 4 c. 3 5 d. all of the above

27. Which one of the following is not the operative function of HRM

- a. development b. controlling c. compensation d. integration

ANSWER KEYS

1=A	2=D	3=C	4=B	5=C	6=D	7=B	8=D	9=C	10=B
11=D	12=C	13=A	14=C	15=A	16=C	17=A	18=D	19=C	20=D
21=A	22=A	23=B	24=B	25=C	26=D	27=B			

UNIT-9

BANKING & FINANCIAL INSTITUTIONS

1. _____ allocates saving efficiently in an economy to ultimate users either for investment in real assets or for consumption
 - a. Economic system
 - b. Banking system
 - c. Financial system
 - d. Market system
2. Which of the following is not a regulatory institutions in Indian financial system.
 - a. RBI
 - b. CIBIL
 - c. SEBI
 - d. IRDA
3. _____ is regarded as a queen of Indian financial system.
 - a. SEBI
 - b. RBI
 - c. Finance Ministry
 - d. BSE
4. _____ represent claims for the payment of a sum of money sometimes in the future and/or a periodic payment in the form of interest or dividend.
 - a. physical asset
 - b. fixed asset
 - c. financial asset
 - d. none of these
5. SEBI was established in _____.
 - a. 1988
 - b. 1985
 - c. 1991
 - d. 1990
6. RBI started functioning on _____.
 - a. 1-4-1935
 - b. 1-4-1948
 - c. 1-4-1882
 - d. 1-4-1945
7. _____ Committee was constituted by SEBI for deciding about derivatives trading.
 - a. L.C.Gupta
 - b. R. L. Gupta
 - c. Vaghul
 - d. Malhotra
8. RBI is the lender of last resort for _____.
 - a. Central Government
 - b. State Governments
 - c. Stock markets
 - d. Commercial Banks
9. The market regulator of Indian Capital Market is
 - a. DFHI
 - b. RBI
 - c. SEBI
 - d. STCI
10. facilitate the transfer of funds from savers to the borrowers.
 - a. goods market
 - b. money market
 - c. financial market
 - d. consumer market
11. market is a market for old issues.
 - a. Money market
 - b. Primary market
 - c. Secondary market
 - d. All the above
12. Which of the following is a financial asset
 - a. gold
 - b. silver
 - c. share
 - d. Land.
13. Which of the following is a cash asset?
 - a. deposit created out of loans
 - b. share
 - c. bond
 - d. Post office certificate.
14. Govt. bond is a
 - a. short term security
 - b. long term security

c. medium term security

d. Either a or b.

15. Money market deals with instruments.

a. long term

b. short term

c. medium term

d. all of these.

16. The market for extremely short period loan is called.....

a. call money market

b. money at short notice

c. T-bill market

d. G-sec market

17. is a market for bankers' acceptances

a. discount market

b. CDs market

c. Interbank participation market

d. Acceptance market

18. Accommodation bills are also known as bills

a. kite bills

b. wind bills

c. supply bill

d. both a & b

19. Adhoc treasury bills are issued in favour of the only

a. Treasury

b. RBI

c. Commercial banks

d. State government

20. are short term deposits of specific maturity similar to fixed deposits.

a. commercial paper

b. Interbank participation certificate

c. Repo

d. Certificate of deposit

21. is an unsecured short term promissory note issued by creditworthy companies?

a. commercial paper

b. interbank participation certificate

c. Repo

d. Certificate of deposit

22. Discount and Finance House of India was set up in

a. 1982

b. 1988

c. 1992

d. 1969

23. Discount and Finance House of India was set up in pursuance of the recommendations of Committee

a. Malegam

b. Malhotra

c. Vaghul

d. Narasimham

24. has been set up mainly to provide a secondary market in Govt. Securities

a. DHFI

b. OTCEI

c. STCI

d. NSDL

25. An issuer need not file an offer document in case of

a. public issue

b. preferential allotment

c. right issue

d. bought out deal

26. An issuer can launch an IPO within.....

a. 3 months

b. 6 months

c. 9 months

d. one year

27. An issue of a minimum size of Rs. crore is a mega issue

a. 50

b. 100

c. 150

d. 300

28. Financial institutions are also known as

a. Financial organization

b. Financial intermediaries

c. Financial system

d. Any of the above

29. is the first development financial institution in India.

a. IDBI

b. ICICI

c. IFCI

d. RBI

30. Discount and Finance House of India was set up in pursuance of the recommendations ofCommittee
a. Malegam b. Malhotra c. Vaghul d. Narasimham
31. has been set up mainly to provide a secondary market in Govt. Securities
a. DHFI b. OTCEI c. STCI d. NSDL
32. Right shares are offered to.....
a. Debenture holders b. Existing shareholders
c. List 2 contributories d. Liquidators
33. is the suitable method where small companies issue shares
a. public issue b. placement
c. offer for sale d. none of these
34. is a process of admitting securities for trading on a recognized stock exchange.
a. registration b. filing c. listing d. admission
35. is a preferential independent broker who deals in securities on his own behalf.
a. Jobber b. sub broker c. Remisiers d. Arbitrators
36. The facility to carry forward a transaction from one settlement period to another is known as transaction
a. Badla b. arbitrage c. cornering d. trading inside
37. The device adopted to make profit out of the differences in prices of a security in to different markets is called.....
a. cornering b. prise rigging c. arbitrage d. margin trading
38. The central depository the security on behalf of the investors
a. hold b. transfer c. both a & b above d. none of these
39. of shares in the first step in the depository process
a. Registration b. Listing c. Rematting d. Immobilisation
40. is the link between the depository and the owner
a. Agent b. Depository participant c. Beneficiary d. Broker
41. issues does not bring in any fresh capital
a. equity b. preference c. debenture d. bonus
42. Prospectus is not issued in
a. public issue b. private placement
c. right issue d. none the above
43. An issuer need not file an offer document in case of
a. public issue b. preferential allotment
c. right issue d. bought out deal
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a. Financial organization b. Financial intermediaries
c. Financial system d. Any of the above
47. is the first development financial institution in India.
a. IDBI b. ICICI c. IFCI d. RBI
48. Management Development Institute (MDI) was set up by
a. IDBI b. ICICI c. IFCI d. SEBI
49. IDBI was established in
a. 1948 b. 1954 c. 1992 d. 1964
50. is an apex institution to coordinate, supplement and integrate the activities of all existing specialized financial institutions.
a. IFCI b. IDBI c. RBI d. SEBI
51. Technical consultancy Organizations were set up by
a. IFCI b. IDBI c. RBI d. SEBI
52. ICICI was set up in
a. 1955 b. 1964 c. 1989 d. 1935
53. assists mainly to industrial undertakings in the private sector
a. IFCI b. IDBI c. ICICI d. SEBI
54. LIC was established in
a. 1956 b. 1964 c. 1989 d. 1935
55. UTI was set up in the year
a. 1956 b. 1964 c. 1969 d. 1948
56. known as Bretton wood twins
a. IDBI and IFCI b. IDBI and UTI c. IBRD and IMF d. RBI and SEBI
57. World bank is also known as
a. IMF b. ADB c. IBRD d. UNICEF
58. World bank was set up in
a. 1945 b. 1946 c. 1947 d. 1948
59. IMF commenced financial operation on
a. 1945 b. 1946 c. 1947 d. 1948
60. Which of the following gives long term finance?
a. IDBI b. ICICI c. IFCI d. All the above
61. Which of the following is a fee based service
a. hire purchase b. Leasing c. capital issue management d. Underwriting.
62. Find the odd one out
a. commercial paper b. share certificate c. certificate of deposit d. Treasury bill.
63. The process of managing the sales ledger of a client by a financial service company is called
a. forfaiting b. factoring c. leasing d. None of these.

64. Mutual funds are very popular in

- a. USA b. UK c. Japan d. India

65. In India, the company which actually deals with the corpus of the mutual fund is called

- a. sponsor company b. trustee company
c. asset management company d. Mutual fund Company.

66. The first bank in India to start factoring business is

- a. Canara bank b. SBI c. Punjab National Bank d. Allahabad Bank.

67. An asset with a physical value is called

- a. Financial asset b. Non financial asset c. Fictitious asset d. Fixed asset

68. An asset which derives its value because of a contractual claim is

- a. Financial asset b. Non financial asset c. Fictitious asset d. Fixed asset

69. Gold is -----asset

- a. Financial asset b. Non financial asset
c. Fictitious asset d. Intangible asset

70. Cash is -----asset

- a. Financial asset b. Non financial asset
c. Fictitious asset d. Intangible asset

71. -----is a whole sale market for short term debt instrument.

- a. capital market b. forex market
c. money market d. any of the above

72. Money lent in the inter-bank market for 15 days or more is called -----

- a. Call money b. Term money
c. Money at short notice d. All the above

73. Call money is a loan given for a period of

- a. 15 days b. 30 days c. 1 day d. 1 year

74. When money lent for more than a day but up to a fortnight is called

- a. Call money b. Term money
c. Money at short notice d. None of the above

75. CBLO stands for

- a. Collateralized Borrowing and Lending Obligation
b. Central Banks Lending Obligation
c. Commercial Bank and Lending Option
d. None of these

76. The NSDL established in

- a. August 1996 b. August 1998
c. January 1996 d. January 1998

77. In a private placement the maximum number of investors shall not exceed

- a. 51 b. 49 c. 100 d. 25

78. Merchant banks in India started in

- a. 1955 b. 1969 c. 1972 d. 1992

79. Merchant banks concept in India introduced by

- a. SBI b. PNB c. ANZ Grindlays d. City bank

80. SENSEX is the index of

- a. BSE b. NSE c. OTCEI d. CSE

81. NIFTY is the index of

- a. BSE b. NSE c. OTCEI d. CSE

82. The first Indian equity index is

- a. Nifty b. Sensex c. Dollex d. Defty

83. is a product whose value is derived from the value of underlying asset

- a. Repo b. T-bills c. G.sec d. Derivatives

84. BOLT stands for

- a. Borrowing or Lending Trade b. Bombay Online Trading
c. Bond or Loan Transaction d. None of these

85. is also known as "G. Secs"

- a. Gold Traded Fund (GTF) b. General Securities
c. Govt. Securities d. Growth oriented fund

86. are negotiable instrument issued by an overseas depository

- a. ADR b. GDR c. IDR d. Any of the above

87. Perpetual bond is also known as

- a. Deep discount bond b. Irredeemable bond
c. Bearer bond d. Registered bond

88. Zero Coupon Bond is also known as

- a. Deep discount bond b. Irredeemable bond
c. Bearer bond d. Zero Interest bond

89. Secured Premium Notes (SPN) always issued with.....

- a. Premium b. Discount
c. Detachable Warrant d. Coupon

90. bonds permit the bond holder to invest the interest income again in host bonds

- a. Deep discount bond b. Junk bonds
c. Bearer bond d. Bunny bonds

91. bonds are high risk and high yield bonds developed in USA

- a. Deep discount bond b. Junk bonds
c. Bearer bond d. Bunny bonds

92. ESOP stands for

- a. Equity share option Plan b. Equity shares Option premium
c. Employee stock Option Plan d. Equity Stock Option Plan

93. QIPs Stands for

- a. Quality investment Project b. Qualified investment Plan
c. Qualified Institutional Placement d. Qualitative Investment Premium

94. What you mean by "STRIPS"

- a. Separate Trade Register of Initial Public Securities offer
- b. Stock Trading Register of Interest and Principal Securities
- c. Separate Trading of Registered Interest and Principal of Securities
- d. Share Transfer and Registrar of Indian Public Securities issues

95. Gilt Edged Securities are

- a. Govt. Securities
- b. Company's securities
- c. Any of the above
- d. None of these

96. In India, forfeiting services are offered by

- a. RBI
- b. SBI
- c. EXIM bank
- d. All the above

97. The small investors' gateway to enter into big companies is ————

- a. Equity shares
- b. Preference shares
- c. Bonds
- d. Mutual fund

98. Money Market mutual fund is also known as—————

- a. Growth fund
- b. Balanced fund
- c. Income fund
- d. Cash fund

99. ———— fund invests in highly liquid securities like commercial paper.

- a. Open ended fund
- b. Close ended fund
- c. Balanced fund
- d. MMMF

100. The idea of providing factoring services in India was first thought by ————

- a. Vaghul committee
- b. Malhotra Committee
- c. Tanden Committee
- d. None of these

101. The market for extremely short period loan is called

- a. Call loan market
- b. short notice market
- c. treasury bill market
- d. commercial bill market

102. ———— bills are drawn by contractors on the government departments for the goods supplied by them.

- a. Usance bills
- b. T-bills
- c. Clean bills
- d. Supply bills

103. ———— is also known as 'Industrial Paper'

- a. Treasury bills
- b. Commercial bills
- c. Financial accommodation bills
- d. Commercial paper

104. Demand bills are also known as

- a. Time bills
- b. Sight bills
- c. Kite bills
- d. Wind bills

105. Usance bills are also known as

- a. Time bills
- b. Sight bills
- c. Kite bills
- d. Wind bills

106. In India, indigenous bills popularly known as

- a. Time bills
- b. Hundis
- c. Trade bills
- d. Sight bills

107. Which of the following are examples of Hundis in india

- a. Shah jog
- b. Namjog
- c. Jokhani
- d. All the above

108. Bills drawn and accepted payable after three months are called

- a. Usance bills b. T-bills c. Clean bills d. Supply bills

109. The market which helps commercial banks to maintain their SLR requirement is

- a. Call loan market b. T-bills market
c. Acceptance market d. Commercial bill market

110. Bill Market Scheme in India was introduced in the year

- a. 1972 b. 1952 c. 1969 d. 1982

111. Adhoc T-bills are always issued in favour of-----

- a. State government b. Commercial banks
c. Treasuries d. RBI

112. The certificate which evidences an unsecured corporate debt of short term maturity

- a. Certificate of Deposit b. Commercial paper
c. Secured Premium Notes d. Interbank participation Certificate

113. Major players of Indian money market is

- a. Central bank b. Co-operative banks
c. Commercial banks d. Indigenous banks

114. ----- is the suitable method where small companies issue shares

- a. Offer for sale b. Private placement
c. All the above

115. Zero interest bonds are always issued

- a. At premium b. At discount
c. With detachable warrant d. Any of the above

116. ----- is a guarantee for marketability of shares

- a. Listing b. Underwriting
c. Registration d. Issue by prospectus

117. Which one of the following is /are not function of NIM

- a. Origination b. Underwriting
c. Distribution d. Listing

118. BOLT was introduced by BSE in the year

- a. 1990 b. 1995 c. 1992 d. 1999

119. ----- is a permission to quote securities officially on the trading floor of stock exchange

- a. Origination b. Underwriting c. Distribution d. Listing

120. The number of shares which are less than market lots are called

- a. Grey lot b. Odd lot c. Tag lot d. Tied lot

121. Rolling Settlement system was introduced by SEBI in the year

- a. 1994 b. 1998 c. 1996 d. 1999

122. The facility to carry forward a transaction from one settlement period to another is called ----- transaction

- a. Hand delivery b. Badla
c. Cornering d. Arbitrage

123. The device adopted to make profit out of price differences in two different markets

- a. Cornering
c. Rigging
- b. Wash sales
d. Arbitrage

124. A person appointed by a stock broker to assist to him in the business of securities trading at trading floor of stock exchanges is

- a. Sub-broker
c. Authorised clerk
- b. Commission broker
d. Remisiers

125. ----- is also known as Remisiers and Half-commission man

- a. Sub-broker
c. Authorised clerk
- b. Commission broker
d. Jobbers

126. An order for the purchase of securities at a fixed price is known as

- a. Limit order
c. Discretionary order
- b. Open order
d. Stop loss order

127. Speculator who neither buy nor sell securities in the market, but still trade on them are called

- a. Wolves
b. Stag
c. Bull
d. Bear

128. The process of holding the entire supply of a particular security with a view to dictating terms is called

- a. Cornering
c. Rigging
- b. Wash sales
d. Arbitrage

129. ----- market deals in unlisted securities

- a. Blue chip
c. Grey market
- b. Bear market
d. Bull market

130. When purchases of securities are more than sales of securities, the market is called

- a. Bullish
b. Bearish
c. Grey
d. Odd

131. When sales of securities are more than purchases of securities, the market is called

- a. Bullish
b. Bearish
c. Grey
d. Odd

132. ----- is the charges paid by a bull speculator to the other party for obtaining carry over facility

- a. Backwardation
b. Contango
c. Spread
d. Margin

133. ----- is the amount paid by bear to facilitate him to renew a bargain until next settlement date

- a. Backwardation
b. Contango
c. Spread
d. Margin

134. ----- is the process of selling securities without owning them

- a. Short selling
c. Margin trading
- b. Long selling
d. Prise rigging

135. Bull speculators are also known as

- a. Tharawaniwalas
c. Mandiwalas
- b. Tejiwalas
d. Badliwalas

136. Bear speculators are also known as

- a. Tharawaniwalas
c. Mandiwalas
- b. Tejiwalas
d. Badliwalas

137. Another name of jobber is

- a. Tharawaniwalas
c. Mandiwalas
- b. Tejiwalas
d. Badliwalas

138. Those who provides finance for carry forward transactions in securities is called

- a. Tharawaniwalas
- b. Tejiwalas
- c. Mandiwalas
- d. Badliwalas

139. The speculator who observes very fast the trends and changes in market is

- a. Bull
- b. Bear
- c. Stag
- d. Wolves

140. -----is the bear speculator who struggling to complete his commitments because of wrong foot

- a. Bull
- b. Lame duck
- c. Stag
- d. Wolves

141. An option (right) to purchase shares in future at predetermined price is called

- a. Hedging
- b. Put option
- c. Push option
- d. Call option

142. An option (right) to sell shares in future at predetermined price is called

- a. Hedging
- b. Put option
- c. Pull option
- d. Call option

143. ----- refers to the process of creating an artificial condition in market in order to push price of particular shares.

- a. Cornering
- b. Arbitrage
- c. Option deal
- d. Rigging

144. An attempt to gaining short term profit from the price difference or movements of securities are called

- a. Investment
- b. Speculation
- c. Hedging
- d. All the above

145. Companies (Amendment) bill-1999 restricts buy back of shares up to..... of the paid up capital

- a. 50%
- b. 20%
- c. 25%
- d. 60%

146. SIDBI is fully owned subsidiary of

- a. IDBI
- b. RBI
- c. SEBI
- d. IFCI

147. "AMBI" stand for

- a. Association of Management of Banks in India
- b. Association of Merchant banks in India
- c. Association of Modern Banks in India
- d. Automated Mechanism for Borrowing and Investment

148. In listed securities, "Group A shares" are also known as

- a. Specified shares
- b. Cleared securities
- c. Non- specified shares
- d. Both a & b above

149. In listed securities, "Group B shares" are also known as

- a. Specified shares
- b. Non-Cleared securities
- c. Non- specified shares
- d. Both b & c above

150. Odd lot shares are coming under ----- of listed securities

- a. Group A
- b. Group B
- c. Group C
- d. Any of the above

151. ALBM (Automated Lending &Borrowing Mechanism) was introduced by

- a. NSDL
- b. SEBI
- c. NSCCL
- d. CDSL

152. under public issue of shares, reservation for permanent employees

- a. 10%
- b. 25%
- c. 15%
- d. 50%

153. The conditions to be satisfied by a public company for issuing Right shares are specified in -----
-----of Companies Act.1956

- a. Sec.75 b. Sec.79 c. Sec.81 d. Sec.91

154. ----- is a method of cancellation of shares

- a. Book building b. Bonus issue
c. Buy back d. Reissue

155. Which of the following is / are method of Buy back of shares

- a. Tender offers b. Open offers
c. Dutch Auction d. All the above

156. Over the Counter Exchange of India commenced operation in the year

- a. 1988 b. 1992 c. 1995 d. 1989

157. Members of the OTCEI are----- only

- a. Individuals b. Corporates
c. Financial institution d. Banks

158. The whole sale market segment for NSE is meant for

- a. Corporate securities b. Govt. securities
c. Securities of MNCs d. Securities of Financial Institutions

159. As per SEBI guidelines, a new company which has not completed 12 months commercial productions has to issue shares at -----

- a. Discount b. Premium c. Par d. any of the above

160. National Stock Exchange (NSE) established in the year

- a. 1990 b. 1992 c. 1995 d. 1999

161. Method of trading in NSE is

- a. Floor based- Order driven b. Screen based- Code driven
c. Screen based - Order driven d. Floor based - Quote driven

162. Method of trading in OTCEI is

- a. Floor based- Order driven b. Screen based- Code driven
c. Screen based - Order driven d. Floor based - Quote driven

163. ----- are eligible to list in OTCEI

- a. Small companies
b. Large companies
c. Medium size companies
d. Small and Medium size companies which are not listed in any other stock exchange

164. Discount and Finance House of India (DFHI) mainly deals in

- a. Commercial bills b. Corporate
c. Treasury bills d. Commercial papers

165. ----- of shares is the first step in depository process

- a. Mutualisation b. Mobilisation
c. Immobilisation d. Rematerialisation

166. In depository system, ----- is a link between depository and the owner.

- a. Depository participant b. Register and Transfer Agent
c. Issuer d. Custodian.

167. "A central location for keeping securities on deposit" is

- a. Stock exchange
d. Merchant banks

- b. Investment bank
c. Depository

168. The group of shares which are not permitted for short selling are

- a. A group b. B group c. T group d. None of these

169. ----- group includes shares of companies which have failed to comply with listing requirements

- a. A group b. B group
c. T group d. Z group

170. In listed scrips, ----- group includes small cap stocks.

- a. S group b. TS group
c. T group d. Z group

171. Shares of well established and financially sound companies, with very little investment risk and good history of earnings is known as

- a. Alpha shares b. Blue chip shares
c. Star stock d. Beta stock

172. In a stock exchange where the ownership, management and trading are concentrated in a single group, it is called

- a. Mutual exchange b. Recognized exchange
c. Dominant exchange d. Un -recognized exchange

173. In India, currently method of calculation of stock indexes is

- a. Free float market capitalization b. Full float market capitalization
c. Fixed float market capitalization d. Minimum float market capitalization

174. Fully automated screen based trading system in NSE is known as

- a. BOLT b. ALBM c. BLISS d. NEAT

175. The Chief promoter of National Securities Depository Limited (NSDL) is

- a. NABARD b. BSE c. NSCCL d. NSE

176. The Chief promoter of Central Depository Services Limited (CDSL) is

- a. NABARD b. BSE c. NSCCL d. NSE

177. The third largest stock exchange in the world is

- a. NSE b. BSE c. NASDAQ d. USE (United Stock Exchange)

178. In the index "CNX Nifty", C stands for

- a. Central b. Credit c. CRISIL d. Cumulative

179. The dollar version of Index of BSE is

- a. Defty b. Dollex c. Both the above d. None

180. In BSE, T+2 rolling settlement began in the year

- a. 2002 b. 2003 c. 2001 d. 1995

181. In settlement T+2, "T" stands for

- a. Trade time b. Trade day
c. Trade terms d. Time for settlement

182. Which one of the following is an example of derivative?

- a. Warrants b. Baskets c. Swap options d. All of these

183. The process in which illiquid assets are converted into marketable securities is known as

- a. Mutualisation
- b. Dematerialisation
- c. Rematerialisation
- d. Securitisation

184. Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act passed in the year

- a. 1992
- b. 2002
- c. 2005
- d. 2000

185. In security market, "ASBA" stands for

- a. Application Supported by Blocked Amount
- b. Automated Security Borrowing Arrangement
- c. Active Securities Buying Agreement
- d. Automatic Security Buying Assistance

186. In financial circle, the name "Dalal Street" is used synonyms to.....

- a. BSE
- b. NASDAQ
- c. NSE
- d. OTCEI

187. The name "Wall Street" is used to synonyms to.....

- a. Bombay Stock Exchange
- b. NASDAQ
- c. National Stock Exchange
- d. New York Stock Exchange

188. Credit rating indicates ----- of a company

- a. Financial status
- b. Overall efficiency
- c. Management efficiency
- d. All the above

189. Credit rating is only a / an.....

- a. Opinion
- b. Recommendation
- c. Suggestion
- d. Advice

190. Which of the following is not a credit rating agency?

- a. CRISIL
- b. ICRA
- c. DCR India
- d. None of these

191. At present, how many Non-scheduled banks are functioning in India

- a. 2
- b. 5
- c. 1
- d. 0

192. Investment Information and Credit Rating Agency of India (IICRA) is a

- a. Private company
- b. Public company
- c. Govt. Company
- d. Statutory company

193. ----- variety of mutual fund is known as "Nest Eggs"

- a. Balanced Funds
- b. Fund of funds
- c. Money Market Mutual fund
- d. Growth oriented funds

194. Generally mutual funds are of

- a. High risk
- b. Risk free
- c. Low risk
- d. Any of the above

195. The corpus of funds and its duration is fixed in case of ----- fund

- a. Open ended
- b. Balanced
- c. Close ended
- d. Income fund

196. The market performance of mutual fund can be judged on the basis of

- a. Net asset value or intrinsic value
- b. Capital appreciation
- c. Regular / stable income
- d. Any of these

197. ----- is the regulator of mutual funds in India

- a. RBI b. IRDA c. SEBI d. Both SEBI and GOI

198. ----- is the venture capital assistance at the stage where the project started to fetch profit but not reached in its full efficiency

- a. Start up capital b. Mezzanine capital
c. Bridge capital d. Seed capital

199. In -----leasing, the risk of obsolescence is assumed by the lessee

- a. Financial lease b. Operating lease
c. Both the above d. None the above

200. ----- is a tripartite lease arrangement

- a. Financial lease b. Operating lease
c. Leverage lease d. Sale and lease back

201. In hire purchase depreciation can be claimed by the

- a. Hirer b. Vendor c. Financiers d. All of these

202. A merchant bank can claim a charge ----- % as the commission for the whole issue

- a. 5% b. 2.5% c. 0.5% d. 0.25%

203. Which of the following is not a quantitative credit control tool of RBI?

- a. Bank rate b. Open market operation
c. SLR d. Margin requirements

204. Which of the following is a selective (qualitative) credit control method?

- a. Bank rate b. Open market operation
c. Variable reserve ratio d. Credit rationing

205. Currency notes of rupee one and other lower subsidiary coins are issued by

- a. RBI b. Commercial banks
c. Ministry of Finance d. Bank Note press

206. American Depository Receipts (ADRs) are issuing by

- a. Indian Company b. American company
c. Overseas depository d. International exchange

207. ----- is the process of converting security in electronic form into physical form

- a. Rematerialisation b. Dematerialisation
c. Demutualisation d. Mutualisation

208. ----- is dealing in securities done by those who having access to price sensitive information.

- a. Margin trading b. Insider trading
c. Price rigging d. Wash sales

209. ----- is a calculated move with an expectation to reap huge profit from market fluctuations

- a. Gambling b. Speculation
c. Genuine investment d. None of the above

210. ----- speculators are optimistic in nature

- a. Bull b. Bear c. Stag d. wolves

211. ----- speculators are Pessimistic in nature

- a. Bull b. Bear c. Stag d. Wolves

212. The scheme in which company can allot shares not more than 15% of the issue size, to the public in addition to the shares already offered- is called

- a. Right issue b. ESOPs
c. Green shoe option d. Bonus issue

213. The merchant banker coordinating a public issue is called as

- a. Syndicator b. Lead manager
c. Post issue manager d. None of these

214. ----- is a shortened form of prospectus

- a. Red herring prospectus b. Abridged prospectus
c. Statement in lieu of prospectus d. Shelf prospectus

215. ----- is an offer document is used in public issue made under book building method.

- a. Red herring prospectus b. Abridged prospectus
c. Statement in lieu of prospectus d. Shelf prospectus

216. In technical sense, short sellers (bears) will be "squeezed" through

- a. Wash sales b. Cornering c. Rigging d. Arbitrage

217. ----- is known as 'Traffic in securities'

- a. Wash sales b. Cornering c. Rigging d. Arbitrage

218. A system of security trade in which one is allowed to invest in excess of his financial capacity by borrowing funds

- a. Margin trading b. Cornering
c. Rigging d. Arbitrage

219. Which of the following speculative transactions are unfair and prohibited?

- a. Margin trading b. Option
c. Rigging d. Arbitrage

220. Which of the following is not a prohibited act in security market?

- a. Insider trading b. Price rigging
c. Cornering d. Margin trading

221. ----- is undertaken for making a dishonest claim for tax deduction.

- a. Wash sales b. Price rigging
c. Cornering d. Margin trading

222. ----- means temporary halt of trade in stock exchanges whenever index moves upward or downward beyond the specified limits

- a. Laddering b. Cornering
c. Circuit breaking d. Side by siding

223. Unsecured debentures are also known as.....

- a. Registered debentures b. Bearer debentures
c. Naked debentures d. Collateral debentures

224. Non-voting shares were introduced by Companies (Amendment) bills in the year

- a. 1997 b. 1999 c. 2000 d. 2002

225. in the case of ----- bonds, the value is inversely related to short term interest rates.

- a. Fixed rate bonds
c. Perpetual bonds

- b. Inverse float bonds
d. Option bonds

226. "D vs. P" system for government securities market means

- a. Delivery and payment settlement
b. Dividend and principal settlement
c. Dollar and Pound settlement
d. Delaying and postponement

227. Non banking financial institutions (NBFIs) are registered under

- a. RBI Act
b. Banking Regulation Act
c. Companies Act
d. SEBI Act

228. According to IFRS, the term financial asset includes

- a. Cash or Cash equivalent
b. Equity shares
c. Contractual right to receive cash
d. All the above

229. Which of the following is /are example of primary or direct financial instrument

- a. Fixed deposit receipt
b. Insurance policies
c. Mutual fund Unit
d. Debentures

230. Which of the following is /are example of Secondary or indirect financial instrument

- a. Equity shares
b. Preference shares
c. Post office saving deposit
d. Bonds

231. A Non Banking Financial Institution

- a. Can accept demand deposit
b. Can issue cheques to customers
c. Cannot accept fixed deposit
d. Cannot accept demand deposit and cannot issue cheques

232. Kerala State Financial Enterprises Ltd (KSFE) is an example of

- a. Banking institution
b. Investment institution
c. NBFI
d. State level development banks

233. UTI, LIC etc are examples of

- a. Banking institution
b. Investment institution
c. NBFI
d. Development banks

234. SFC is an example of

- a. Banking institution
b. Investment institution
c. NBFI
d. Development Institution

235. Which of the following is /are not regulatory institutions

- a. RBI b. SEBI c. IRDA d. IFCI

236. Which of the following is not a negotiable instrument?

- a. ADR b. GDR c. FDR d. IDR

237. 'Follow on Public Offer' is also known as

- a. Further public offer
b. Seasoned public offer
c. Subsequent public offer
d. All of these

238. "Uberrimae Fidei" means

- a. Indemnity
b. Insurable interest
c. Good faith
d. Mitigation of loss

239. is the oldest insurance

- a. Fire insurance
b. Life insurance

c. Marine insurance

d. Social insurance

240. In -----, insurable interest is enough at the time of loss

a. Fire insurance

b. Life insurance

c. Burglary insurance

d. Marine insurance

241. In life insurance, installment policy is also known as

a. Annuity policy

b. Endowment policy

c. Whole life policy

d. Lump sum policy

242. In insurance, "Causa Proxima" means

a. Utmost good faith

b. Contribution

c. Prevent the causes of loss

d. Closely connected perils

243. _____ is a financial service which pooling risks of people

a. Mutual fund

b. Venture capital

c. insurance

d. all of these

244. In India Insurance business are regulated by

a. IRBI b. RBI c. IRDA

d. IRDP

245. Except life insurance maximum term of other insurance is

a. 12 months

b. 6 months

c. 24 months

d. 36 months

INSURANCE

1. When did insurance begin in Babylon?

a) 1750 BC

b) 1907 BC

c) 1971 BC

d) 2000 BC

2. Which one of the following does not belong to the main products of life insurance?

a) Endowment

b) Personal accident insurance

c) Term

d) Whole life

ANSWER: b) Personal accident insurance

Whole life, Endowment, Term, Investment-linked, Life annuity plan, Medical and health are the main products of life insurance. Motor insurance, Fire/House owners/Householders insurance, Personal accident insurance, Medical and health insurance, Travel insurance are the main products of general insurance.

3. Which one of the following does not belong to the major general insurance private sector companies in India?

a) Bajaj Allianz General Insurance

b) Reliance General Insurance

c) Royal Sundaram Alliance Insurance

d) The Oriental Insurance Company

4. When was the Oriental Life Insurance Company established?

a) 1818

b) 1834

c) 1907

d) 1938

5. When was Life Insurance sector nationalized?

a) 1834

b) 1907

c) 1938

d) 1956

6. When was Triton Insurance Company Ltd established?

a) 1834

b) 1850

c) 1907

d) 1938

7. When was the Indian Mercantile Insurance established?

- a) 1907 b) 1938 c) 1957 d) 1973

8. When was the General Insurance Council formed?

- a) 1938 b) 1957 c) 1973 d) 1971

The General Insurance Council was established under the **Indian Insurance Act 1938**. It designed a code of conduct to ensure fair business practices.

9. When was the Export Credit Guarantee Corporation of India established?

- a) 1938 b) 1957 c) 1973 d) 1971

On **30 July 1957**, Export Credit Guarantee Corporation of India Ltd. (ECGC) was established. It provides export credit insurance facilities to exporters and banks in India. It functions under the administrative control of Ministry of Commerce & Industry.

10. When was general insurance business nationalised?

- a) 1938 b) 1971 c) 1973 d) 1993

The nationalisation of general insurance business from **1 Jan 1973**, was the effect of the General Insurance Business (**Nationalisation**) **Act. 107** insurers were grouped into four companies: National Insurance Company, the New India Assurance Company, the Oriental Insurance Company and the United India Insurance Company.

11. When was the General Insurance Corporation of India incorporated?

- a) 1971 b) 1972 c) 1973 d) 1993

12. When was the Insurance Regulatory and Development Authority constituted?

- a) 1938 b) 1971 c) 1993 d) 1999

Important Terms in Insurance

Actuary: An actuary is a business professional who deals with the financial impact of risk and uncertainty. Actuaries assemble and examine data to estimate the probability and likely cost of the occurrence of an event such as death, sickness, injury, disability, or loss of property.

Annuity: An annuity is a series of payments made at fixed intervals of time. Annuities are primarily used as a means of securing a steady cash flow for an individual during their retirement years.

Claim: An insurance claim is the actual application for benefits provided by an insurance company. It is a request for payment of the contractual benefits by the insurer that is made by the insured or the beneficiary.

Coverage: It is the amount of liability covered for an individual by insurance services. Living and death benefits are listed in life insurance.

Death Benefit: It is the amount on a life insurance policy that is payable to the beneficiary when the recipient passes away.

Deductible: It is the amount that the insured pays before the insurance company begins to pay.

Endowment Insurance: It is the life insurance for a specified amount which is payable to the insured person at the expiration of a certain period of time or to a designated beneficiary immediately upon the death of the insured.

Exclusion: It refers to conditions that are not covered by the general insurance contract.

Indemnity: The concept of indemnity is based on a contractual agreement made between two parties, in which one party agrees to pay for potential losses or damages caused by the other party. Indemnity may be

paid in the form of cash, or by way of repairs or replacement, depending on exactly what is spelled out in the indemnity agreement.

Insurable Interest: Insurable interest exists when an insured person derives a financial or other kind of benefit from the continuous existence of the insured object. Insurable interest is established by ownership, possession, or direct relationship.

Insurance Settlement: It is the payment of proceeds by an insurance company to the insured to settle an insurance claim within the guidelines specified in the insurance policy.

Lapse: It is the termination of a policy upon the policy owner's failure to pay the premium within the grace period.

Maturity value: Maturity refers to the length of time from issuing a fixed-term debt security until it is paid off. Maturity value is the amount to be paid to the holder of a financial obligation at the obligation's maturity. In the case of a bond, the maturity value is the principal amount of the bond to be paid by the issuer to the owner at maturity.

Paid-up value: When the premium for a life insurance policy is not paid on time and it lapses, then the policy acquires a paid-up value.

Peril: It is a specific cause of loss covered by an insurance policy, such as a fire, windstorm, flood, or theft.

Policy: It is the written contract of insurance company describing the term, coverage, premiums and deductibles.

Premium: It is the price of insurance protection for a specific risk for a specified period of time.

Reinsurance: It occurs when multiple insurance companies share risk to bound the total loss the original insurer would experience in case of disaster by purchasing insurance policies from other insurers. The premium paid by the insured is shared by all the insurance companies involved.

Renewal: It is a certificate which attests to the fact that an insurance policy has been extended for another term.

Rider: It is a provision of an insurance policy that is purchased separately from the basic policy. It provides additional benefits at additional cost. Riders help policyholders in creating insurance products that meet their specific needs.

Subrogation: It is the right for a company to recover the loss from the guilt party when the company pays for which someone other than the policyholder is responsible.

Sum assured: Sum assured is the minimum amount payable by the insurance company in case of death of the policy holder.

Survival Benefit: Survival benefit is the amount received at the end of insurance policy tenure. The amount to be paid as survival benefit is determined when the policy document is signed. It is mentioned in the terms and conditions of the policy.

Term insurance: Term insurance is the simplest form of life insurance providing coverage for a defined period of time, at a fixed rate of payment. The death benefit is payable to the nominee, who is a family member if the insured expires during the applicable term.

Underwriting: Underwriting is the process of assessing risk, ensuring that the cost of the cover is proportionate to the risks faced by the individual concerned.

1. General Insurance(Public Sector) Association of India's HQ is situated in?

- 1)Telengana 2)Mumbai 3)Delhi 4)Chennai

2. IIB stands for:

- 1)International Insurance Board 2)Intellectual Insurance Board
3)Insurance Information Bureau 4)NONE

3. India's Agricultural Insurer is:

- 1)NABARD 2)GIC
3) Kishan Bima Sanstha 4)AIC

4. RTI facility is not completely applicable in:

- 1)ICICI Lombard General Insurance Company
2)Export Credit Guarantee Corporation

5. Parliament passed a bill delinking its 4 General insurance subsidiaries in:

- 1)June 2007 2)August 2005
3)July 2000 4)July 2002

6. Tsunami Jan Bima Yojana was a special insurance plan associated with:

- 1)UIICL 2)LIC 3)GIC 4)NICL

7. NIACL was started in the year:

- 1)1938 2)1947 3)1973 4)1919

8. The Chairman of Agricultural Insurance Company of India is:

- 1)Mr.Millind Kharat 2)Mr. Joseph Plappallil J.
3)Mr.G.Srinivasan 4)Mr.K.P.Brahma

9. "Rest Assured with us" This tagline is associated with:

- 1)SBI Life Insurance 2)NIACL
3)Kotak Mahindra Life Insurance 4)UIICL

10. The punch line of the advertisement of which of the following organization is "Jindagi ke sath bhi Jindagi ke bad bhi" ?

- 1) New India Assurance 2) General Insurance Corporation
3) ICICI Prudential 4) Life Insurance Corporation Of India

5) None of these

11. The central office of the Life Insurance Corporation of India (LIC) is located at

- 1) Kolkata 2) New Delhi 3) Chennai 4) Pune 5) Mumbai

12. If an organization wishes to venture into Insurance Business it has to obtain a licence first from which of the following ?

- 1) Indian Banks Association (IBA)
2) Security and Exchange Board of India (SEBI)
3) Tariff Advisory Committee (TAC)
4) Insurance Regulatory and Development Authority of India (IRDAI)
5) None of these

13. Which of the following is not the name of an Insurance Scheme launched by the Government of India

- 1) Janashree Bima Yojana 2) Krishi Shramik Sarnajik Suraksha Yojana
3) Shiksha Sahyog Yojana 4) Varsha Bima Yojana
5) National Saving Scheme Programme

14. Which of the following insurance companies writes its punch line in the advertisements "Insurance is the subject matter of solicitation" ?

- 1) CIC
- 2) LIC
- 3) ING Vysya Life Insurance Co.
- 4) Tata AIG Life Insurance Co
- 5) None of these

15. Which of the following was the parent company of New India Assurance ?

- 1) LIC
- 2) GIC
- 3) Oriental Insurance Co. Ltd.
- 4) United India Insurance
- 5) None of these

16. Which of the following words/ terms is closely associated with the insurance business

- 1) Archives
- 2) Donation
- 3) Actuary
- 4) Quest
- 5) All are associated with insurance

17. The New India Assurance Company was established in 1919 by

- 1) Dorab Tata
- 2) G. D. Birla
- 3) Jamunlal Bajaj
- 4) Kamalapat Singhania
- 5) None of these

18. Which of the following is largest Non Life Insurance Company in India ?

- 1) ICICI Lombard General Insurance Company Ltd.
- 2) United India Insurance Company Ltd.
- 3) General Insurance Company Ltd.
- 4) New India Assurance Company Ltd.
- 5) None of these

19. Which is the sole reinsurance company in the Indian insurance market ?

- 1) United India Insurance Company Limited
- 2) General Insurance Corporation of India
- 3) New India Assurance Company Limited
- 4) The Oriental Insurance Company
- 5) Life Insurance Corporation of India

20. The central office of the Life Insurance Corporation of India (LIC) is located at

- (A) Kolkata
- (B) New Delhi
- (C) Chennai
- (D) Pune
- (E) Mumbai

21. Which of the following is not the name of an Insurance Scheme launched by the Government of India

- (A) Janashree Bima Yojana
- (B) Krishi Shramik Sarnajik Suraksha Yojana
- (C) Shiksha Sahyog Yojana
- (D) Varsha Bima Yojana
- (E) National Saving Scheme Programme

22. The Life Insurance Corporation Of India has how many Zonal offices in India ?

- (A) Five
- (B) Eight
- (C) Ten
- (D) Fifteen
- (E) None of these

23. As per the news published in various newspapers, Life Insurance policies may become paperless in the near future. This means

- 1) LIC will not insure any person here after as it has already reached its peak

- 2) LIC will not ask for any documents from a person who wishes to purchase an Insurance policy
3) All policy related documents and policy certificates will henceforth be available in electronic form and not in their present physical
4) LIC henceforth will not entertain any claim or complaint in written form or on paper. Things should be in electronic condition.
5) None of these

24. The punch line of the advertisement of which of the following organization is "Jindagi ke sath bhi Jindagi ke bad bhi" ?

- (A) New India Assurance
(B) General Insurance Corporation
(C) ICICI Prudential
(D) Life Insurance Corporation Of India
(E) None of these

25. If an organization wishes to venture into Insurance Business it has to obtain a license first from which of the following ?

- (A) Indian Banks Association (IBA)
(B) Security and Exchange Board of India (SEBI)
(C) Tariff Advisory Committee (TAC)
(D) Insurance Regulatory and Development Authority of India (IRDAI)
(E) None of these

26. Which of the following was the parent company of New India Assurance ?

- (A) LIC
(B) **GIC**
(C) Oriental Insurance Co. Ltd.
(D) United India Insurance
(E) None of these

27. The New India Assurance Company was established in 1919 by

- (A) Dorab Tata**
(B) G. D. Birla
(C) Jamunalal Baja
(D) Kamlapat Singhanian
(E) None of these

28. Which of the following is largest Non Life Insurance Company in India ?

- (A) ICICI Lombard General Insurance Company Ltd.
(B) United India Insurance Company Ltd.
(C) General Insurance Company Ltd.
(D) New India Assurance Company Ltd.
(E) None of these

29. Which of the following Insurance Companies was launched with NABARD as one of its promoter's with 30% stake in it ?

- (A) General Insurance Corporation Ltd.**
(B) National Insurance Company Ltd.
(C) Agriculture Insurance Company Ltd,
(D) SBI Life Insurance Company Ltd.
(E) None of these

30. Which of the following words/ terms is closely associated with the insurance business

- (A) Archives
(B) Donation
(C) Actuary
(D) Quest
(E) All are associated with insurance

31. Which of the following is the best description of what insurance is?

- 1) Insurance = Collective bearing of risk
- 2) Insurance = Paying for other's mistake
- 3) Insurance = Taking from 'A' to pay 'B'
- 4) Insurance = Paying for something which will never happen
- 5) All of these

32. Which of the following correctly describes what the 'Bancassurance' is

- 1. It is an arrangement whereby the branches of a bank sell / distribute insurance products of an insurance company.
- 2. It is a new product developed/ launched by the banks in which the risks of the high value customers are covered for any losses to their property and/or lives through an insurance cover.
- 3. It is a new product launched by some banks by which they are providing insurance cover to exporters/ importers for the losses, if any due to high fluctuations in the exchange rates of dollars and other major currencies.

- (A) Only 1
- (B) Only 2
- (C) Only 3
- (D) All 1, 2 and 3
- (E) None of these

33. In Insurance policies we always find a date which is "Date of Maturity". What does it mean?

- 1) This is the date on which the policy was sold to the customer/person insured.
- 2) This is the date on which the policy holder will have to submit his/her claim seeking the amount of the policy. Otherwise the company will not make any payment to him/her.
- 3) This is the date on which the contract between the person and insurance company will come to an end.
- 4) The date on which the insurance company makes the final payment to the insured person which is normally fifteen days after the "payment due date".
- 5) None of these

34. All of the following is true regarding ULIPs EXCEPT:

- 1) Unit Holders can choose between different kind of funds.
- 2) Life insurers provide Guarantee for all unit values.
- 3) Units may be purchased by payment of single premium or via regular premium payments.
- 4) ULIP policy structure is transparent with regards to insurance expenses components.

35. Insurance business in India is regulated by which of the following authorities?

- 1) NFCG
- 2) IRDA
- 3) CII
- 4) FICCI
- 5) All of these

36. "A contract that pledges payment of an agreed upon amount to the person (or his/her nominee) on the happening of an event covered against" is technically known as

- 1) Death coverage
- 2) Life Insurance
- 3) Savings for future
- 4) Provident Fund
- 5) None of these

37. As we know, the Government is paying much attention to "Micro Finance" these days. Which of the following is one of the examples of Micro Finance?

- 1) Insurance for life
- 2) Investment in Mutual Funds
- 3) Self Help Groups
- 4) Letter of Credit

5) All of these

38. Which of the following insurance plan is not launched by LIC?

- 1) Jeevan Abhaya
- 2) Life Mahalife Gold Plan
- 3) Child Career Plan
- 4) Child Future Plan
- 5) Jeevan Saral

39. How many maximum children from a family are covered for the benefits under the Shiksha Sahyog Yojana launched by the LIC ?

- (A) One only
- (B) Two only
- (C) Three only
- (D) One Girl Child only
- (E) None of these

40. Which of the following schemes launched in the year 2000 by the LIC replaced social Security group Insurance Schemes (SSIGS) and Rural Group Life Insurance Schemes (RGLIS)?

- (A) Janshree Bima Yojana
- (B) Bhagyashree Child Welfare Bima Yojana
- (C) Jan Arogya Bima Yojana
- (D) Raj Rajeshwari Mahila Kalyan Yojana
- (E) None of these

41. Which of the following Scheme was launched by the LIC to provide life insurance protection, periodical lumpsum survival benefit and pension to the agricultural workers in India ?

- (A) Krishi Shramik Samajik Suraksha Yojana
- (B) Jan Shree Bima Yojana
- (C) Mahila Kalyan Yojana
- (D) Sampurna Arogya Bima Policy
- (E) None of these

42. Insurance company transfers the insurance which cannot bear by them to which of the following ?

- 1)TPAs
- 2)Bancassurance
- 3)Reinsurance
- 4)Actuaries

43. The Non Government organizations(NGO) helps the insurance industry mainly in

- 1)Linking third party administrators
- 2)Promotional activities
- 3)Drafting new regulations
- 4)Linking buyers and sellers

44. Investment by foreign direct investors in to Insurance companies is restricted to what percent?

- 1)22%
- 2)24%
- 3)30%
- 4)26%

45. Based on which aspect, Churning is bad ?

- 1)Agents earn Lower Commission on churning
- 2)Policyholders suffer due to surrender charges and benefits
- 3)Policyholder gets more benefits
- 4)Insurance companies get good branding

46. What is the maximum Time in which The insurer should settle a claim when all documents are submitted

- 1) 5 days
3) 30 days
- 2) 20 days
4) 15 days

47. A missing person is considered to be dead after how many years of missing ?

- 1) 3 years
3) 15 years
- 2) 5 years
4) 7 years

48. An insurer advertises through daily news paper . What type of marketing is

- 1) cross selling
3) Solicitation of Policy
- 2) policy selling
4) Insurance selling

49. How is complaint to be launched with an insurance ombudsman?

- 1) Made face to face
3) through newspaper advertisement
- 2) made in writing**
4) orally over the phone

50. Which Insurance Company started its operation in the year in which India got Independence?

1. UIICL
3. LIC
2. GIC
4. OICL

51. Who was the actual Pioneer of LIC?

1. Debendranath Tagore
3. Surendranath Tagore
2. S.K.Roy.
4. A.K.Roy.

52. Who among the following was appointed as member(actuary) in Insurance Regulatory Authority of India (IRDA) recently?

- 1. Pournima Gupte**
3. Jyotsna Suri
2. Pournima Sarkar
4. None of these

53. The Total Business of 4 Public Sector General Insurance Company in 2013-14 put together was about:

1. 40000cr.
3. 42000cr
2. 41000cr.
4. 45000cr.

54. NIACL's pioneer was:

1. Sir Jamshedji Tata
3. Sir Ratan Tata
- 2. Sir Dorabji Tata**
4. None of these

55. What does the term Actuary stands for in Insurance:

1. A specialist in Insurance claim settlement
2. A specialist in insurance marketing
3. A specialist in Insurance calculations
4. None of this

56. ECGC is made to provide:

1. Insurance cover in external trade
3. Insurance cover in export trade
2. Insurance cover in internal trade
4. Insurance cover in import trade.

57. Which is not a part of Life insurance?

- | | |
|--------------------|------------|
| 1. Endowment | 2. Term |
| 3. Priority | 4. Annuity |

58. "Prithvi Agni Jal Akash, Sab ki suraksha humare pas" this tagline is associated with:

- | | |
|---------|----------------|
| 1. NICL | 2. OICL |
| 3. DHFL | 4. NIACL |

59. GIC was incorporated in the year?

- | | |
|----------------|---------|
| 1. 1971 | 2. 1972 |
| 3. 1973 | 4. 1974 |

60. General Insurance (Public Sector) Association of India's HQ is situated in?

- | | |
|-----------------|------------|
| 1. Telengana | 2. Mumbai |
| 3. Delhi | 4. Chennai |

61. Which of this recently got RBI's permission to enter Non Life sector of Insurance?

- | | |
|-------------------------------|------------------|
| 1. Karur Vysya Bank | 2. Indusind Bank |
| 3. Kotak Mahindra Bank | 4. ICICI Bank |

62. IIB stands for:

- | | |
|--|---------------------------------|
| 1. International Insurance Board | 2. Intellectual Insurance Board |
| 3. Insurance Information Bureau | 4. NONE |

63. India's Agricultural Insurer is:

- | | |
|------------------------|---------------|
| 1. NABARD | 2. GIC |
| 3. Kishan Bima Sanstha | 4. AIC |

64. RTI facility is not completely applicable in:

- 1. ICICI Lombard General Insurance Company**
2. Export Credit Guarantee Corporation
3. United India Insurance Company
4. None Of these

65. IRDA has the power to frame the regulations under ___ of the Insurance Act. 1938.

- | | |
|-----------------|------------------------|
| 1. Section 112A | 2. Section 114A |
| 3. Section 114B | 4. None of these |

66. Parliament passed a bill delinking its 4 General insurance subsidiaries in:

- | | |
|--------------|---------------------|
| 1. June 2007 | 2. August 2005 |
| 3. July 2000 | 4. July 2002 |

67. According to 1st Januray 1973 reports How many insurer were amalgamated & grouped into four General Insurance companies:

- | | | | |
|--------|---------------|--------|------------------|
| 1. 102 | 2. 107 | 3. 245 | 4. None of these |
|--------|---------------|--------|------------------|

68. Tsunami Jan Bima Yojana was a special insurance plan associated with:

- | | | | |
|-----------------|--------|--------|---------|
| 1. UIICL | 2. LIC | 3. GIC | 4. NICL |
|-----------------|--------|--------|---------|

69. NIACL was started in the year:

- a) 1938 b) 1947 c) 1973 **d) 1919**

70. The Chairman of Agricultural Insurance Company of India is:

1. Mr. Millind Kharat **2. Mr. Joseph Plappallil**
3. Mr. G. Srinivasan 4. Mr. K. P. Brahma

71. "Rest Assured with us" This tagline is associated with:

1. SBI Life Insurance 2. NIACL
3. Kotak Mahindra Life Insurance **4. UIICL**

72. "Twins of Wood" is related to Financial system as well as to Insurance market. These are:

1. RBI & IRDA 2. RBI & IMF
3. World Bank & RBI **4. World Bank & IMF**

73. Institute of Insurance and Risk Management is situated in:

- a) Jodhpur b) Mumbai **c) Hyderabad** d) Chennai

74. IRDA's HQ was shifted to Hyderabad (Now Telengana) in the year:

- a) 1999 b) 2000 **c) 2001** d) None of these

75. The Institution of Insurance Ombudsman was created in accordance of Government of India's notification dated:

- a) 11th Nov 1998** b) 11th Nov 1999
c) 12th Sept 1947 d) 12th Sept 1973

76. IIS is related to Insurance, What is IIS?

1. International Insurance Support 2. International Insurance Service
3. International Insurance Summit **4. International Insurance Society**

76. Which of these is related to Prime Minister Jan Dhan Yojana (PMJDY):

1. HDFC LIFE 2. IFFCO Tokiyo
3. HDFC Ergo. 4. Tata AIG

77. Where is the HQ of International Association of Insurance Supervisors?

1. New York. 2. London
3. Hyderabad **4. Basel**

78. What does GIMAR stands for?

1. General Insurance Market Report **2. Global Insurance Market Report**
3. Growing Insurance Market Report 4. None

79. National Insurance Academy is situated in:

1. Delhi. **2. Pune.** 3. noida 4. Telengana

80. IRDA's previous Headquarter was in:

- 1.Delhi. 2.Mumbai. 3.Chennai 4.Kolkata

81. The Chairman of General Insurers' (Public Sector) Association of India?

- 1.G.Srinivasan 2.T.Vijayan 3.M.Kharrrat 4.None

82. LIC started its journey in 1956.Which of the Financial Institution also started its journey in the same year:

- 1.International Financial Corporation(IFC)
2.Organization for Economic Cooperation & Development(OECD)
3.World Trade Organization.(WTO)
4.None

83. GIBNA was passed in the year:

- 1.1971 2.1972 3.1973 4.1974

84. Which is NOT an Indian Development bank:

- 1.NABARD 2.EXIM BANK 3.IBRD 4.none of these

85. Which of these is NOT a Principle of Insurance:

- 1.Principle of Insurable Interest 2.Principle of Indemnity
3.Principle of Last Resource 4.None of these

86. According to 1956 Index, LIC absorbed how many Non-Indian Insurers:

- 1.15 2.16 3.75 4.76

87. Which is a part of Indian Insurance Repository:

- 1.Muthoot group 2.IIFL 3.NSDL 4.None

88. The first life insurance policies were taken out in the early 18th century. The first company to offer life insurance was:

- 1.Amicable Society for a Perpetual Assurance Office
2.Society for Equitable Assurances on Lives.
3.Lloyd's Coffee House
4.None of these

89. Who was the founder of Oriental Life Insurance Company(1818-1834):

1. Anita Kochar 2.Anita Bhavsar .
3.Anita Kapur. 4.None

90. IRDA was renamed on:

- 1.29th Dec 2014 2.31st Dec 2014
3.26th Dec 2014 4.30th Dec 2014

91. Oldest operating General Insurance company in India:

- 1.NICL 2.NIACL 3.LIC 4.OICL

92. The Geneva Association identifies fundamental trends and strategic issues where insurance plays a substantial role or which influence the insurance sector, Who was the Secretary General of

Geneva Association during 2012-2014:

- | | |
|---------------------------------|--------------------------|
| 1.Prof. Orio Giarini, | 2.Mr Patrick M. Liedtke, |
| 3.Mr John H. Fitzpatrick | 4.Dr Garen.D.Patrick |

93. IIS's last Annual seminar on Insurance held in 2014,Its Venue was:

- | | | | |
|-----------|----------|-----------------|------------|
| 1.Geneva. | 2.Basel. | 3.London | 4.New York |
|-----------|----------|-----------------|------------|

94. Which General Insurance company completed its 50years in 1997:

- | | | | |
|--------|--------|--------|---------------|
| 1.GIC. | 2.UICL | 3.NICL | 4.OICL |
|--------|--------|--------|---------------|

95. In Insurance Sector, FreeLook Period stand for:

- 1.The time you may cancel your policy be returning it to the Insurance company.**
- 2.The time you may stop paying premium as it is overpaid before your payment.
- 3.The time in which you can draw back death penalty.
- 4.None

96. Insurance Repository system was launched by IRDA on:

- | | |
|-------------------------|-----------------|
| 1.16th Sept.2013 | 2.16th Oct.2013 |
| 3.16th Sept.2013 | 4. None |

97. First Indian Insurer is:

- | | |
|----------------------|---|
| 1.Delhi Mutual Funds | 2.IRDA |
| 3.GIC. | 4.Bombay Mutual Life Assurance Society |

98. Which of this term is associated with Insurance sector

- | | | | |
|----------|---------|----------------|----------|
| 1.Blower | 2.Racer | 3.Rider | 4.Serial |
|----------|---------|----------------|----------|

PRACTICE SETS

1. In early stages, commercial banks were

a. in private sector	b. in public sector
c. government agency	d. quasi-autonomous national government organization
2. After independence, the Imperial Bank of India was nationalized and became known as

a. Reserve Bank of India	b. State Bank of India
c. Punjab National Bank	d. Central Bank of India
3. UCO bank is a

a. private sector bank	b. public sector bank
c. non-scheduled bank	d. none of these
4. Which of the following is not the fund based business of commercial banks?

a. DP Operation	b. Loans
c. Deposits	d. Discounting of Bills
5. Bank show provision for Income tax under the head

a. Contingent Liability	b. other liability and provisions
c. contingent account	d. other accounts
6. Which of the following is the latest buzzword among bankers?

a. social banking	b. financial inclusion
-------------------	------------------------

- c. mass banking
d. none of these
7. Which one of the following statement is correct?
a. the Governor is the Reserve Banks chief executive
b. IFCI can grant long term loans to partnership firms
c. Money market is a market for stock market operations
d. The export import bank of India is a subsidiary of IDBI
8. Which one of the following statements is incorrect?
a. only 14 banks were nationalized in the first stage of nationalization of commercial banks
b. the second dose of nationalization came in April 1980, when banks were nationalized
c. RBI started its operation with a paid up capital of Rs 5 crore
d. safe deposit vaults are made available by bank only to fixed deposit account holders
9. Rural infrastructure development fund is maintained by
a. RRB
b. NABARD
c. Cooperative Bank
d. None of the above
10. The only merger between nationalized banks was between New Bank of India and Punjab National Bank in
a. 2003
b. 1993
c. 1997
d. 2000
11. Which bank was incorporated as one of the Public sector banks in India during 2004-2005?
a. ICICI Bank ltd
b. Yed Bank ltd
c. IDBI Bank ltd
d. UTI Bank ltd
12. All Bnking Institutions are
a. intermediaries
b. non-intermediaries
c. specialized institutions
d. term lending institutions
13. Credit creation is a _____ of a bank
a. primary function
b. agency function
c. general utility function
d. none of these
14. Unversal banking is the combination of commercial banking with
a. investment banking
b. insurance company
c. both a nd b
d. none of these
15. Credit gaps can be eliminated by reducing
a. information asymmetry
b. size of the firm
c. boh a and b
d. none of these
16. Which of the following is not an instrument of credit control in the banking system?
a. open market operations
b. moral per suasion
c. cash reserve ratio
d. tax rates
17. Which of the following is not a function of a Rural bank?
a. to accept deposit
b. to waive loans
c. to grant advances
d. to supply inputs to farmers
18. The commercial banks in India are governed by
a. Reserve Bank of India acct 1934
b. Indian company act 1956
c. Indian Banking regulation act 1949
d. Securities and exchange borad of India act 1992
19. Bank rate is also known as
a. discount rate
b. penalty rate
c. interest rate
d. none of these

20. When a drawer draws a cheque without keeping sufficient balance and if the cheque is bounced for insufficient funds, the drawer is punishable with imprisonment which may extend to _____ and a fine.

- a. two months
- b. one year
- c. four months
- d. six months

21. Paid up capital of a bank should not be less than the following percentage of subscribed capital.

- a. 25%
- b. 50%
- c. 75%
- d. 100%

22. Nationalisation of banks aimed at all of the following except

- a. removal of control by a few
- b. provision of control by a few
- c. provision of adequate credit for agriculture, small industry and export units
- d. encouragement of a new class of entrepreneurs

23. The powers of the Board of directors to borrow from the bank are mentioned in

- a. article of association
- b. memorandum of association
- c. special resolution
- d. both a and b

24. the chief promoter of clearing corporation is

- a. SB
- b. RBI
- c. Financial ministry
- d. none of these

25. Bank deposit refers to

- a. the amount of money standing to the credit of a customer of a bank
- b. a term used by a federal reserve to refer to the total deposits of member banks
- c. the amount of money standing to the debit of a customer of a bank
- d. all of the above

26. which one of the following statement is correct?

- a. granting loan to the borrowers is not the main function of a bank
- b. bank cannot buy and sell shares and debentures on behalf of customers
- c. narasimhan committee recommended making banking structure of the counting three tier
- d. banks have the same function as development bank

27. Which one of the following statement is incorrect?

- a. A bank interacts directly with customers, but NBFI interacts with banks and governments.
- b. Credit creation is one of the primary functions of commercial bank in India
- c. Banks generally grant long-term loans to industries.
- d. To purchase and sell securities is also one of the function of scheduled bank

28. Banks lend money by

- 1. Loan
- 2. Cash credit
- 3. Overdraft
- 4. Discounting of bill

Select the correct answer using the codes given below

- a. 1 2
- b. 1 2 4
- c. 2 3 4
- d. all of these

29. Which one of the following statements is incorrect?

- a. NABARD acts as regulator for cooperative banks and regional rural banks
- b. NABARD promotes research in the fields of rural banking agriculture and rural development.
- c. development bank helps an enterprise from planning to operational level
- d. the chairman of the RRB is nominated by the state government.

30. Which one of the following statements is incorrect?

- a. NABARD consultancy service (NABCONS) is a subsidiary of NABARD
- b. in 1947 the Reserve bank stopped acting as bankers to the government of Burma
- c. Every NBFC should not be registered with RBI.

d. RBI uses CRR either to drain excess liquidity or to release funds needed for the growth of the economy.

31. Which of the following statements is correct?

1. Corporative Banks are governed by the banking regulation Act 1951.
2. state bank of India Act was enacted in the year 1956.
3. After nationalization of 24 major commercial banks, they become the important instrument for advancement of rural banking.
4. NABARD was established on 12th july, 1992 with an initial capital of 200 Crore.

Select the correct answer using the codes given below

- a. 1 b. 2 c. 1 2 3 d. 4

32. Which of the following can be described as involving indirect finance?

- a. a corporation take out loans from bank
- b. people buy shares in a mutual fund
- c. a corporation buys commercial paper in a secondary market
- d. all of the above

33. Nationalised banks have been permitted to offer their equity shares to the public to the extent of 49% of their capital as per amendments made in 1994 in

- a. banking regulation act 1949
- b. banking companies (acquisition and transfer of undertakings) act 1970/1980
- c. both a and b
- d. none of the above

34. Which of the following is not the liability of commercial banks?

- a. security holdings
- b. treasury deposits at banks
- c. demand deposits and time deposits
- d. borrowing from central banks

35. Which is the oldest bank in existence in India, originated in the Bank of Calcutta in June 1806, which almost immediately become the bank of Bengal?

- a. state bank of India
- b. Punjab national bank
- c. syndicate bank
- d. Vijaya Bank

36. Which of the following limits the power of credit creation by commercial banks?

- a. Fiscal policy
- b. Banking laws
- c. Business pessimism
- d. none of these

37. Consortium lending is a lending facility, defined by a single loan agreement, in which _____ participate.

- a. several or many banks
- b. two banks
- c. RBI
- d. development bank

38. Which bank has become the first foreign bank to open a branch in Isreal diamond exchange?

- a. American express bank
- b. citi bank
- c. standard chartred bank
- d. state bank of india

39. which indian PSU bank in tune with its plans to expand its retail division in the UK entered the mortgage market in the country for the first time?

- a. Punjab national bank
- b. oriental bank of commerce
- c. state bank of India
- d. Indian overseas Bank

40. Which bank had its office in Anarkali bazaar, Lahore when registered on 19th May 1894 under Indian companies act?

- a. Punjab and sind bank
- b. syndicate bank
- c. Punjab national bank
- d. united bank of India

41. Which one of the following statement is correct?

- a. a bank can also exercise the right of set off in respect of the future or contingent debts
- b. minimum paid up capital for entry of new private sector banks is 200 crore
- c. ancillary services are also known as supplementary functions of a commercial banks
- d. provisions of banking regulation act are not applicable to cooperative banks

42. Which of the following statements are correct?

- 1. The cenral bank is usually conol and quieofen owned b e govnmen of a counr.
- 2. expot impot bank of India took ovr the export finance function oft IDBI3. Unibank has virtually one or two branches
- 4. citi bank and ING Bank a nivsal banks

Select the correct answer using the codes given below

- a. 1 2
- b. 1 2 4
- c. 1 2 3
- d. 2 3 4

43. Which of the following statement is incorrect?

- a. using bank as tool of social welfare was the objective behind nationalization of banks in India
- b. expansion of bank branch specially in rural area was the objectly behind nationalization of bank in India
- c. non-priority sector lending was the objective behind nationalization of banks in India
- d. Speed up economic growth was the objective behind nationalisaton of Banks in India

44. which one of the following statement is correct?

- a. general insurance corporation provides cover for life risks
- b. NBFC take deposits from the public
- c. NABARD was established on the recommednations of Narasimhan committee I (1991)
- d. IDBI, NABARD have been notified as public financial institutions under companies act 1956

45. RBI was established with a share capital of _____

- a. 10 crore
- b. 5 crore
- c. 50 crore
- d. 100 crore

46. Who is the custodian of monetary reserves in India?

- a. SBI
- b. SIDBI
- c. NABARD
- d. RBI

47. Who is the fiscal agent and advisor to government in monetary and financial matters in India?

- a. SBI
- b. NABARD
- c. Corporative banks
- d. NOTA

48. Before issuance of currency notes, RBI held _____ securities.

- a. gold coins and bullion
- b. foreign securities
- c. government of Indias securities
- d. all of the above

49. Which of the rate is not determined by RBI?

- a. CRR
- b. PLR
- c. Bank rate
- d. SLR

50. Who is authorized to issue coins of smaller denomination in India?

- a. RBI
- b. Ministry of Finance
- c. SBI
- d. None of the above

51. Open market operations, one of the measures taken by RBI in order to control credit expansion in the economy means as

- a. sale or purchase of government securities
- b. Issuance of different types of bonds
- c. auction of gold
- d. none of the above

52. Which of the following statement is true?

- a. the currency notes issued by RBI are legal tender throughout the world.

- b. all commercial banks including those owned by government do not need a licence from the RBI to do banking business
- c. The treasury bills are sold by the RBI for raising its working capital
- d. the RBI is a banker to both central and state government.

53. On which of the following banks the reserve bank of India depends?

- a. cooperative banks
- b. regional rural banks
- c. commercial banks
- d. development bank

54. Which bank is called the Bank of issue?

- a. RBI
- b. SBI
- c. IDBI
- d. ICICI

55. RBI controls the commercial banks through _____

- a. periodic inspection of banks
- b. follow up action
- c. calling for returns and other information
- d. all of the above

56. Annual report in currency and finance is published by

- a. SIDBI
- b. RBI
- c. Ministry of finance
- d. none of these

57. Fully owned subsidiary of RBI

- a. national housing banks
- b. NABARD
- c. both a and b
- d. none of the above

58. Differential rate of interest scheme was introduced in which year?

- a. 1962
- b. 1982
- c. 1972
- d. 1980

59. Which of the following bodies tightened the norms for foreign exchange risk cover in India mentoring that only companies what a net worth of 200 crore can use derivatives to hedge against risk of volatility in current rates?

- a. IMF
- b. SEBI
- c. RBI
- d. Union ministry of finance

60. During the depression, it is advisable to

- a. lower bank rate and purchase securities in the open market
- b. increase bank rate and purchase securities in the open market
- c. decrease bank rate and sell securities in the open market
- d. increase bank rate and sell securities in the open market

61. which of the following is restricted fund of RBI

- a. credit control
- b. interest on debt
- c. bank note issue
- d. lending to bank

62. the bank rate means

- a. rate at which RBI purchases or rediscounts bills of exchange of commercial banks
- b. rate of interest allowed by commercial banks on their deposits
- c. rate of interest charged by commercial banks from borrowers
- d. rate of interest at which commercial banks discounted bills of their borrowers

63. credit creation capacity of a bank depends on the cash reserve ratio and statutory liquidity ratio.

If the initial deposit is 1000 and the cash reserve ratio and statutory liquidity ratio is 5% and 20%. Then the credit creation capacity will be as follows

- a. 3000
- b. 5000
- c. 6000
- d. 2000

64. Reserve Bank of India is

- a. an extension wing of Ministry of Finance, government of India
- b. a body corporate, having perpetual succession and a common seal

- c. an institution owned by Indian Banks association
- d. a private sector bank

65. In order to control credit in the country, the RBI may
- a. buy securities in the open market
 - b. sell securities in the open market
 - c. reduce CRR
 - d. reduce bank rate

66. In order to encourage investment in the country the RBI may
- a. reduce CRR
 - b. increase CRR
 - c. sell securities in the open market
 - d. increase bank rate

67. One of the major challenges, banking industry is facing these days is money laundering. Which of the following acts or norms are launched by the banks to prevent money laundering in general?
- a. know your customer norms
 - b. banking regulation act
 - c. negotiable instrument act
 - d. none of the above

68. Governmental economic policy which deals with taxation, expenditure, borrowing and the management of public debt in an economy is _____

- a. monetary policy
- b. credit policy
- c. fiscal policy
- d. taxation policy

69. RBIs open market operation transactions are carried with a view to regulate

- a. liquidity in the economy
- b. prices of an essential commodities
- c. inflation
- d. all of the above

70. Currently chest balance will be periodically verified by

- a. banks own officials
- b. RBI officials
- c. both a and b
- d. officials of AGs office

71. from which date, banks were allowed free to fix base rates by RBI?

- a. 1st april 2011
- b. 1st april 2012
- c. 1st april 2013
- d. none of these

72. arrange the following in correct order according to the year of establishment and occurrence of the event.

- | | |
|--|---|
| 1. establishment of regional rural bank | 2. Establishment of reserve bank of india |
| 3. nationalization of 6 commercial banks | 4. Nationalization of 14 major commercial banks |
| a. 2 4 1 3 | b. 2 4 1 3 |
| c. 1 4 3 2 | d. 3 1 2 4 |

73. which one of the following statement is incorrect?

- a. till 1942, RBI was the currency issuing authority of Burma
- b. national housing bank is the fully owned subsidiary of RBI
- c. RBI is the king pin of the Indian gold market
- d. RBI can provide any direct financial assistance to any industry, trade or business

74. Which one of the following statement is incorrect?

- a. the secondary market, also known as the aftermarket
- b. the non-fulfillment of PO and C entail penalty in the form of higher CRR or SLR
- c. over the counter exchange of India is non-corporate body
- d. the non-fulfillment of PO and C entail penalty in the form of higher CRR or SLR

Directions (Q Nos 75 – 79) In the questions given below are two statements labelled as statement I and statement II. You have to examine these two statements carefully and select the answer to these items using the codes given below.

Codes

- a. statement I is correct, but statement II is incorrect
- b. both statements are correct
- c. statement I is incorrect but statement II is correct
- d. both statements are incorrect

75. Statement I In 1956, 7 subsidiaries of SBI were also nationalized.
Statement II In 1980, 6 banks with deposits over 200 crore were nationalized

76. Statement I Making advances is the primary function of commercial banks
Statement II credit creation is the secondary function of commercial banks

77. Statement I central cooperative banks provide finance to member of societies within the limits of borrowings capacity of societies
Statement II The funds of district, cooperative banks consists of shares capital, deposits, loans and overdrafts from state cooperative banks and joint stocks

78. statement I Commercial banks provide mainly short term credit to the industril sector
Statement II Modern banking become an effective force only after 1910.

79. statement I small savings are considered as the oldest media for community saving.
Statement II The first stock exchange was established at Pune in 1857.

Directions (Q Nos 80-88) In the questions given below are two statements labeled as Assertion and Reason. In the context of the two statements, which one of the following is correct?

Codes

- a. both A and R are true and R is the correct explanation of A.
- b. both A and R are true but R is not the correct explanation of A.
- c. A is true but R is false.
- d. A is false but R is true

80. Assertion The Indian banking system is of the branch banking system is of the branch-banking type and it is characterized by excessive concentration of business in a small number of gig public sector banks.
Reason The relatively small unit banks are perhaps more suitable for our environment and objectives.

81. Assertion New business can expect to pay higher interest rate than older one, those are more established companies.
Reason Lending institutions may feel that lending to newer companies presents a higher degree of risk.

82. Assertion The scheduled banks are required to maintain a certain minimum balance in their accounts with RBI.
Reason The scheduled banks are entitled to borrowings and rediscounting form the RBI.

83. Assertion Banks generally grants no interest on current account.
Reason Interest is no regarded as the payment of the use or service of capital.

84. Assertion The present banking system is called a fractional reserve banking system.
Reason The banks need to keep only a fraction as their deposits and liabilities in the form of liquid cash.

85. Assertion CRR refers to the cash which banks haveto maintain with the RBI as a certain percentage of their demand and time liabilities.
Reason Statutory liquidity ratio is the ratio of cash in hand.

86. Assertion Bnak have control over a large part of the supply of money in circulation.
Reason They cannot influence the nature and character of production in any country.

87. Assertion Custodian of foreign exchange reserve is one of the main function of RBI
Reason Periodical inspections of various banks is also main function of RBI

88. Assertion NABARD produce long-term refinance for minor irrigation, plantation. Horticulture, land development, animal husbandary, fishers etc.
Reason NABARD is one of the premiere agencies to provide credit in rural areas.

89. Match the following

List-I	List-II
a. RBI	1. private bank
b. SBI	2. foreign bank
c. Citi bank	3. regulator
d. Catholic Syrian bank	4. public bank

Codes

	A	B	C	D
a.	4	3	2	1
b.	3	4	1	2
c.	1	4	3	2
d.	1	2	3	4

90. Match the following

List-I	List-II
a. Hamala	1; clearing of chwques
b. RBI	2. illegal transactions of foreign exchange
c. SEBI	3. regulator body
d. commercial bank	4. central bank

Codes

	A	B	C	D
a.	1	3	2	4
b.	2	3	4	1
c.	3	2	1	4
d.	1	2	3	4

91. Match the following

List-I	List-II
a. financial instruments	1. organized and unorganized
b. financial market	2. intermediaries and non-intermediaries
c. financial institutions	3. unorganized financial system
d. indigenous bankers	4. facilitate transfer of funds

Codes

	A	B	C	D
a.	4	1	2	3

- b. 2 1 4 3
- c. 1 2 4 3
- d. 3 2 1 4

92. Match the following

List-I	List-II
a. RBI	1. New Delhi
b. PNB	2. Mumbai
c. Vijaya bank	3. Vadodara
d. ICICI	4. Bengaluru

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 1 | 2 | 3 | 4 |
| b. | 2 | 4 | 1 | 3 |
| c. | 1 | 2 | 4 | 3 |
| d. | 3 | 2 | 1 | 4 |

93. Match the following

List-I	List-II
a. bank of Hindustan	1. 1843
b. general bank of India	2. 1840
c. Bank of Bombay	3. 1786
d. bank of madras	4. 1770

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 4 | 3 | 2 | 1 |
| b. | 3 | 4 | 1 | 2 |
| c. | 1 | 4 | 3 | 2 |
| d. | 3 | 2 | 1 | 4 |

94. Match the following

List-I	List-II
a. reserve bank of India	1. 1975
b. nationalization of 14 major commercial banks	2. 1935
c. nationalization of 6 commercial banks	3. 1969
d. regional rural banks	4. 1980

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 1 | 3 | 2 | 4 |
| b. | 3 | 2 | 4 | 1 |

- c. 4 3 1 2
- d. 2 3 4 1

95. Match the following

List-I	List-II
a. state cooperative banks	1. government has a major holdings
b. indigenous banks	2. 50% to 90% of the working capital is contributed by RBI
c. public sector banks	3. comes under the ambit of the RBI control
d. non-scheduled banks	4. operated by eths, sahuksars, mahajans, sardars etc

Codes

- | | A | B | C | D |
|----|---|---|---|---|
| a. | 4 | 3 | 2 | 1 |
| b. | 2 | 4 | 1 | 3 |
| c. | 3 | 4 | 2 | 1 |
| d. | 4 | 3 | 1 | 2 |

96. Match the following

List-I	List-II
a. rate at which RBI gives loans to commercial banks by discounting bills	1. reserve repo rate
b. rate at which RBI borrows from commercial banks	2. repo rate
	3. prime lending rate

Codes

- | | A | B |
|----|---|---|
| a. | 3 | 1 |
| b. | 2 | 1 |
| c. | 1 | 2 |
| d. | 3 | 2 |

97. Match the following

List-I	List-II
a. CRR	1. Macimum expected rate
b. fiscal policy	2. government of india
c. monetary policy	3. RBI
d. RRR	4. rate of interest

Codes

- | | A | B | C | D |
|----|---|---|---|---|
| a. | 3 | 2 | 1 | 4 |

- b. 1 3 2 4
c. 2 4 1 3
d. 4 1 2 3

98. Match the following

List-I	List-II
a. monetary policy	1. instrument for regulation of money and credit
b. bank rate	2. instrument of fiscal policy
c. taxation policy	3. instrument of monetary policy
d. repo rate	4. quantitative instrument of monetary policy

Codes

- A B C D
a. 1 3 2 4
b. 3 1 2 4
c. 1 2 4 3
d. 4 1 2 3

ANSWER KEYS

1=A	2=B	3=B	4=A	5=B	6=C	7=A	8=D	9=B	10=B
11=C	12=A	13=A	14=C	15=A	16=D	17=D	18=C	19=A	20=B
21=B	22=A	23=B	24=A	25=D	26=C	27=C	28=D	29=D	30=C
31=B	32=D	33=B	34=A	35=D	36=D	37=A	38=D	39=C	40=C
41=C	42=B	43=C	44=D	45=B	46=D	47=D	48=D	49=B	50=B
51=A	52=D	53=C	54=A	55=D	56=B	57=C	58=C	59=C	60=A
61=B	62=A	63=A	64=B	65=B	66=A	67=D	68=C	69=D	70=C
71=A	72=B	73=C	74=C	75=B	76=A	77=B	78=B	79=A	80=A
81=A	82=B	83=B	84=A	85=B	86=B	87=C	88=B	89=C	90=B
91=A	92=B	93=A	94=D	95=B	96=B	97=A	98=A		

PRECIOUS YEARS QUESTIONS

DECEMBER 2018

1. Which one of the following is not the fund based business of commercial banks?

- a. overdraft facility b. issuance of letters of credit
c. acceptance of deposits d. RTGS / NEFT transactons

2. Match the items of List-I with the items of List-II and choose the correct answer from the code given below.

List-I	List-II
a. NPA	1. The percentage of deposits to be kept with RBI in the form of cash
b. SLR	2. The rate at which RBI lends money to commercial banks
c. Repo rate	3. Loans and advances not paid for more than 90 days

d. CRR	4. The percentage of net demand and time liabilities to be kept in the form of liquid assets
--------	--

Codes

	A	B	C	D
a.	3	4	1	2
b.	3	4	2	1
c.	2	3	4	1
d.	3	2	4	1

3. When RBI reduces CRR, it results into

- a. increase in lendable resources b. decrease in lendable resources
c. decrease in deposits d. increase in deposits

4. Which one of the following is not the function of the Reserve Bank of India?

- a. issue of bank notes b. custodian of cash reserve of commercial banks
c. accepting deposits and advancing loans to public d. controller of credit

JULY 2018

5. Assertion The reserve bank of India is entrusted with the management of the public debt and issue of new loans and treasury bills on behalf of the central and state governments.

Reason The governor and the deputy governors of Reserve Bank of India are appointed by the central government.

Codes

- a. A is correct but R is not correct
b. A and R are correct but R is not the right explanation of A
c. A and R both are correct and R is the right explanation of A
d. A and R both are not correct

6. Which one of the following is not the function of NABARD?

- a. to provide refinancing assistance by way of short term credit to state cooperative banks and sectorial rural banks etc approved by the RBI for some specific purposes
b. to undertake inspection of cooperative societies other than primary cooperative societies and RRBs
c. to promote research in various aspects of the problems of urban development
d. to subscribe to share capital or invest in securities of any institution concerned with agriculture and rural development.

7. _____ refers to the process of removing or stripping the legal status of a currency.

- a. digitization b. financial inclusion
c. demonetization d. micro finance

JANUARY 2017

8. Match the items of list-I with the items of list-II and suggest the correct code.

List-I	List-II
a. relationship banking	1. dealing in hundis and acceptance of deposits
b. merchant banking	2. widening the entrepreneurial base and assist in a rapid rate of industrial growth
c. indigenous banking	3. engaged in the business of issue management
d. development banking	4. creating, maintaining and enhancing strong relationship with customers

Codes

	A	B	C	D
a.	1	2	4	3
b.	2	4	3	1
c.	4	3	1	2
d.	2	1	4	3

JULY 2016

9. Identify the correct combination of statements with regard to banking in India.

1. For many years the presidency banks had acted as quasi-central banks.
2. the Bank of Hindustan was liquidated during 1829-32
3. Genaral bank of India was an unsuccessful bank and was dissolved in 1791
4. bank of Calcutta was renamed as bank of Bengal in 1921.

Codes

- a. 1 2 3 b. 2 3 4 c. 1 2 4 d. 1 2 3 4

10. Assertion Banks globally are facing more challenges now and macro sustainability as a necessity but not sufficient for sustainable economic growth.

Reason Putting regulations in place is only one part and their implementation is equally important for achieving growth and sustainability.

Codes

- a. both A and R are correct and R is the correct explanation of A
- b. both A and R are true but R is not the correct explanation of A
- c. A is true but R is incorrect
- d. A is incorrect but R is correct

11. Which combination of the following methods indicates quantitative methods of control of credit creation practiced by the Reserve Bank of India?

1. Bank rate
2. open market operations
3. variable reserve ratio
4. credit rationing

Codes

- a. 1 2 3 b. 1 2 4 c. 2 3 4 d. 1 3 4

DECEMBER 2015

12. Identify the years in which different phases of bank nationalization took place in India.

1. 1950
2. 1955
3. 1969
4. 1949

Codes

- a. 1 2 3 4 b. 2 3 5 c. 2 4 5 d. 3 4 5

13. Assertion Taking of deposits and greating of loans single out banks.

Reason Banks act as intermediaries when they mobile savings from surplus nits to shortage units in order to finance productive activities.

Codes

- a. A is true abd R is the correct explanation of A
- b. both A and R are true but R is not the correct explanation of A
- c. A is true but R is false
- d. R is true but A is false

14. Match the following

List-I	List-II
a. underwriting	1. primary functions
b. transfer of funds	2. granting advances
c. overdraft	3. utility functions

d. recurring deposits

4. agency functions

Codes

	A	B	C	D
a.	1	2	4	3
b.	4	3	2	1
c.	3	4	2	1
d.	2	4	3	1

15. Which among the following is not a subsidiary of Reserve Bank of India?

1. deposit Insurance and Credit Guarantee corporation of India
2. Bharatiya Reserve Bank Note Mudran private limited

Select the correct answer using the codes given below

- a. 1 b. 2 c. 1 2 d. neither 1 nor 2

16. Which among the following is not associated with NABARD

1. NIEAF 2. BIRD 3. RIDF 4. SHPI

Select the correct answer using the codes given below

- a. 1 b. 2 c. 2 3 d. none of these

17. Select the techniques of monetary control adopted by RBI from the following

1. cash reserve ratio 2. Statutory liquidity ratio
3. bank rate 4. Currency rate

Select the correct answer using the codes given below

- a. 1 2 3 4 b. 2 3 4 c. 1 3 4 d. 1 2 3

JUNE 2015

18. The operations of banks and financial institutions are regulated by

- a. the RBI act 1934 b. the banking regulation act 1949
- c. information technology act 2000 d. All of these

19. Interest earned by a depositor against a deposit with a commercial bank for custodial service

- a. is a fund based income b. is a fee based income
- c. is a combination of fund and fee based gain d. is a commitment based gain

20. For the purpose of extending rural banking and agro finance, the NABARD

- a. directly lends and monitors the rural borrowers
- b. refines the banks extending rural finance
- c. refines the rural borrowers obtaining credit from banks
- d. directly finances the rural borrowers and gets refinance from government

21. when RBI grants loan to commercial banks and charges interest on it, it is called

- a. repo rate b. reserve repo rate
- c. sweep stack rate, basic rate d. bank rate

DECEMBER 2014

22. Match the following

List-I	List-II
a. RBI nationalization	1. 1964
b. imperial bank nationalization	2. 1949
c. nationalization 14 commercial banks	3. 1955
d. establishment of IDBI	4. 1969

Codes

A	B	C	D
---	---	---	---

- | | | | | |
|----|---|---|---|---|
| a. | 1 | 2 | 3 | 4 |
| b. | 2 | 3 | 1 | 4 |
| c. | 3 | 2 | 4 | 1 |
| d. | 2 | 3 | 4 | 1 |

23. Under the cooperative bank structure, the apex institution is

- | | |
|------------------------------|---------------------------|
| a. national cooperative bank | b. state cooperative bank |
| c. district cooperative bank | d. IDBI bank |

24. The regulatory authority of regional rural banks is

- | | |
|---------------------|-----------------------|
| a. NABARD | b. central government |
| c. state government | d. sponsor bank |

25. As per the RBI Act 1934, the following functions are described as the functions of a central bank

- | | |
|--------------------------|--------------------------|
| 1. banking functions | 2. Advisory functions |
| 3. supervisory functions | 4. Promotional functions |

Select the correct answer using the codes give below

- | | | | |
|----------|----------|----------|--------|
| a. 1 3 4 | b. 1 2 4 | c. 2 3 4 | d. 1 3 |
|----------|----------|----------|--------|

26. What is true about the Basel committee on Banking Supervision (BCBS)

1. BCBS is an Indian national committee of banking supervisory authority
2. BCBS was established by a group of 19 nationalised commercial banks
3. BCBS was established in 1996
4. it provides a forum for regular cooperation on banking supervisory matters

Select the correct answer using the codes given below

- | | | | |
|--------|--------|--------|-----------|
| a. 1 2 | b. 2 3 | c. 3 4 | d. only 4 |
|--------|--------|--------|-----------|

27. What is SLR ratio of a bank

- a. ratio of total deposits against total investments
- b. amount deposited by the bank with the central bank in the form of cash, gold and securities
- c. amount that commercial banks are required to maintain before providing credit to customers
- d. amount that commercial banks deposit with the foreign banks

JUNE 2014

28. The profitability of public sector banks is low due to

1. over cautious approach to lending
2. reserve bank policies
3. high overhead costs
4. social sector lending

Codes

- | | | | |
|--------|--------|----------|--------|
| a. 1 2 | b. 1 4 | c. 1 3 4 | d. 2 3 |
|--------|--------|----------|--------|

29. Which of the following financial institutions is not within the supervisory purview of Reserve Bank of India?

- a. foreign commercial banks operating in India
- b. regional rural banks
- c. mutual funds
- d. state cooperative banks

30. The repo and reverse repo rate are resorted to by the RBI as a tool of

- | | |
|------------------------|-----------------------|
| a. credit control | b. settlement systems |
| c. currency management | d. dehejia committee |

31. Which of the following committees is intended to review the working of the monetary system in India?

- a. narasimhan committee
c. sukhamoy chakravarty committee

- b. tendon committee
d. dehejoa committee

32. Match the following

List-I	List-II
a. bank rate policy	1. involving the shortening of the currency of bills eligible for rediscount.
b. credit rationing	2. involving the purchase and sale of securities in the open market
c. variable reserve system	3. involving the alteration of discount rate
d. open market operations	4. involving the variation of the minimum reserves.

Codes

	A	B	C	D
a.	1	4	2	3
b.	2	1	3	4
c.	4	2	1	3
d.	3	1	4	2

33. According to the recent guidelines (2013) of the Reserve Bank of India, the private sector banks are required to have a minimum paid-up equity capital of

- a. 300 crore b. 200 crore c. 400 crore d. 500 crore

DECEMBER 2013

34. Match the following

List-I	List-II
a. letter of reference	1. advancing loans
b. sale of gold coins	2. receiving deposits
c. recurring account	3. non-banking function
d. overdrafts	4. Agency function

Codes

	A	B	C	D
a.	1	2	3	4
b.	4	3	2	1
c.	4	2	3	1
d.	1	3	2	4

35. which of the following are included under representation functions of a bank?

1. payment of cheques and bills
2. providing remittance facilities
3. underwriting of securities
4. advancing clean credit
5. allowing overdrafts on current account
6. purchase and sale of securities

Codes

- a. 1 2 3 4 b. 3 4 5 6 c. 1 2 3 6 d. 2 3 5 6

36. Assertion The central Bank of the country is responsible to maintain stability of the monetary standard which involves currency circulation.

Reason The central bank is the only authorized entity to do so.

Codes

- a. both A and R are true b. both A and R are false
c. A is true but R is false d. R is true but A is false

37. Identify the quantitative credit control methods among the following.

1. bank rate
2. Credit rationing
3. Open market operations
4. variable reserve ratio
5. Selective credit control
6. Liquidity ratio

Codes

- a. 1 2 3 4 b. 2 3 4 5 c. 1 2 5 6 d. 1 3 4 6

38. Reserve bank of India was nationalized on

- a. 26th January 1948
- b. 1st January 1949
- c. 26th January 1950
- d. 1st January 1956

39. When a banking company is placed under moratorium under section 45 of the Banking regulation act 1949, the RBI must prepare a scheme of

- a. VRS for staff
- b. capital buy back
- c. Reconstruction of the company or amalgamation with any other bank
- d. IPO of the bank

40. Reserve bank of India controls the activities of which of the following banks in India?

1. commercial banks
2. Cooperative banks
3. foreign banks
4. Rural banks

Codes

- a. 1 2 3 b. 1 3 4 c. 2 3 4 d. all of the above

JUNE 2013

41. RBI ensures that banks operate within the set norms by conducting _____ inspections and _____ monitoring.

- a. on site, off site
- b. off site, on site
- c. on site, field
- d. field, on site

42. under section 37 of the Banking Regulation act, a moratorium order can be issued by the High court for a maximum total period of

- a. one month
- b. six month
- c. one year
- d. one and half year

43. Assertion The problem of rural credit is not primarily one of rural credit, it may be said to be one of rural minded credit.

Reason The Indian economy has yet to come out of rural mentality

Codes

- a. both A and R are correct
- b. both A and R are incorrect
- c. A is correct but R is incorrect
- d. R is correct but A is incorrect

DECEMBER 2012

44. Match the following

List-I	List-II
a. selective credit control	1. consumer credit recusation
b. encourage credit for desirable use	2. cash reserve
c. quantitative credit control	3. variation in margin
d. bank rate	4. rediscounting rate

Codes

- | | | | | |
|----|---|---|---|---|
| | A | B | C | D |
| a. | 4 | 2 | 3 | 1 |

- b. 3 1 2 4
 c. 1 3 2 4
 d. 2 1 3 4

JUNE 2012

45. In India, the commercial banks are given license of operation by

- a. the government of India b. The ministry of finance
 c. reserve bank of india d. banking companies regulation act 1949

46. The commercial banks do not perform one function of the following

- a. mobilization of savings b. giving loans and advances
 c. issuing currency notes d. financing priority sectors

47. Imperial bank was established on 27th janlary 1921 on the advise of

- a. JM Keynes b. Lord Illingworth
 c. King George V d. Winston Churchill

48. the provisions of general reserve in banking companies are made keeping in view the provisions of

- a. indian companies act 1956 b. banking companies act 1949
 c. SEBI act 1992 d. statutory auditor

ANSWER KEYS

1=B	2=B	3=A	4=C	5=B	6=C	7=C	8=C	9=A	10=A
11=A	12=B	13=A	14=C	15=D	16=D	17=D	18=A	19=A	20=C
21=B	22=D	23=B	24=A	25=A	26=D	27=C	28=C	29=C	30=D
31=C	32=D	33=D	34=B	35=C	36=C	37=D	38=B	39=C	40=D
41=A	42=B	43=B	44=B	45=C	46=C	47=A	48=C		

PRACTICE SETS

Q1. The life insurance business in India was first started in which year?

- A) 1827 B) 1845 C) 1818 D) 1832

Q2. Name the first life insurance company to function in India

- A) United India Insurance Company
 B) Bombay Mutual Life Assurance Society
 C) Agriculture Insurance Company of India
 D) Oriental Life Insurance Company

Q3. Which among the following is the first Indian life insurance company to begin operations in India?

- A) Bombay Mutual Life Assurance Society
 B) Empire of India Life Assurance Company
 C) Albert Life Assurance
 D) Royal Insurance

Q4. The Life Insurance Companies Act was passed in which year?

- A) 1919 B) 1912 C) 1900 D) 1902

Q5. Which among the following is the oldest existing insurance company in India?

- A) National Insurance Company
 B) Life Insurance Corporation of India
 C) New India Assurance Company
 D) United India Insurance Company

Q6. The Life Insurance Corporation of India (LIC) came into existence in which year?

- A) 1962 B) 1949 C) 1956 D) 1947

Q7. Name the first General Insurance Company in India?

- A) ECGC Ltd
B) United India Insurance Company Limited
C) Indian Mercantile Insurance Ltd
D) Triton Insurance Company Ltd

Q8. The Insurance Act to govern both life insurance and non-life insurance was passed in which year?

- A) 1929 B) 1938 C) 1949 D) 1934

Q9. The Life Insurance Business in India was nationalized in which year?

- A) 1956 B) 1949 C) 1938 D) 1962

Q10. The General Insurance Business in India was nationalized in which year?

- A) 1951 B) 1962 C) 1973 D) 1949

Answers & Explanations

Q1 (C) Q2 (D) Q3 (A) Q4 (B) Q5 (A) Q6 (C)

Q7 (D) It was set up in the year 1850 in Calcutta by the British

Q8 (B)

Q9 (A) 19th January 1956. All 245 insurance companies operating then in the country were merged into one entity, the Life Insurance Corporation of India.

Q10 (C)

PRACTICE SET'

Q1. The Insurance Regulatory and Development Authority (IRDA) was formed on the recommendation of which committee?

- A) Banarji Committee B) Kutumbe Committee
C) Malhotra Committee D) Gupte Committee

Q2. IRDA Act was passed in which year by the Government of India?

- A) 1992 B) 2002 C) 2000 D) 1999

Q3. The IRDA was incorporated as a statutory body on _____?

- A) 30 April 2001 B) 01 July 2002 C) 31 December 1999 D) 19 April 2000

Q4. What is the FDI limit in the Insurance sector?

- A) 26% B) 49% C) 100% D) 74%

Q5. Which section of Insurance Act, 1938 grants power to IRDA to frame regulations?

- A) Section 114A B) Section 111B C) Section 110A D) Section 112B

Q6. The headquarter of Insurance Regulatory and Development Authority of India (IRDAI) is in which city?

- A) Mumbai B) New Delhi C) Hyderabad D) Kolkata

Q7. The board of IRDAI consists of how many members?

- A) 10 B) 5 C) 4 D) 8

Q8. Who is the Chairman of the IRDAI?

- A) Sujay Banarji B) P. J. Joseph C) Praveen Kutumbe D) Subhash C. Khuntia

Q9. Which of the following is a reinsurance company in India?

- A) The Oriental Insurance Company B) General Insurance Corporation of India
C) Agriculture Insurance Company of India D) SBI General Insurance

Q10. How many insurance companies were merged to form the Life Insurance Corporation of India?

- A) 200 B) 176 C) 245 D) 125

Answers & Explanations

Q1 (C) In 1993, the Government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance. Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry.

Q2 (D) Q3 (D) Q4 (B) Q5 (A) Q6 (C) Q7 (A) Q8 (D)
Q9 (B)

Q10 (C) 245 insurance companies operating in the country were merged into one entity, the Life Insurance Corporation of India.

PRACTICE SETS

1. What does U stand for in ULIP with respect to insurance sector?

- A) Unique B) Unit C) Umbrella D) Ultimate

2. How many public sector life insurance companies are functional in India?

- A) 1 B) 2 C) 3 D) 4

3. Bombay Mutual Life Assurance Society was the first life insurance company in India to insure Indian lives. It was set up in which year?

- A) 1890 B) 1832 C) 1818 D) 1870

4. The Indian Life Assurance Companies Act was passed in which year to regulate life insurance business in India?

- A) 1930 B) 1919 C) 1912 D) 1925

5. The Indian Insurance Companies Act was enacted in which year?

- A) 1912 B) 1928 C) 1936 D) 1949

6. The National Insurance Academy is located in which city?

- A) Kolkata B) New Delhi C) Pune D) Hyderabad

7. The National Insurance Company Limited is a type of _____ insurance company

- A) General Insurance B) Life Insurance C) Re-Insurance D) Both A & B

8. An insurance product that pays out income to the holder at specified intervals usually after retirement is known as _____

- A) Paid Up B) Annuity C) Premium D) Claim

9. The General Insurance Corporation of India (GIC) was notified as the Indian Reinsurer in which year?

- A) 2014 B) 1987 C) 1999 D) 2000

10. Who is the present CMD of National Insurance Company Limited (NICL)?

- A) K. Sanath Kumar B) G. Srinivasan C) Tajinder Mukherjee D) SS Mallikarajuna Rao

Answers & Explanations**Q1 (B)** Unit Linked Insurance Plans**Q2 (A)** Only LIC is the single public sector life insurance company in India**Q3 (D)** **Q4 (C)** **Q5 (B)****Q6 (C)** The National Insurance Academy is situated in Pune, India. Founded in 1980 by the Finance Department of the Indian government with capital patronage from LIC and public sector general insurance industry.**Q7 (A)** **Q8 (B)** **Q9 (D)** **Q10 (C)****PRACTICE SETS**

Q1. How many public sector non life insurance companies are there in India?

- A) 1 B) 3 C) 5 D) 6

Q2. The sole national re-insurer of India, General Insurance Corporation of India (GIC Re) has its headquarter at _____

- A) New Delhi B) Mumbai C) Kolkata D) Chennai

Q3. 'E@Secure' is a cyber insurance policy for individuals launched by which company?

- A) Bajaj Allianz General Insurance B) ICICI Lombard
-
- C) HDFC Ergo D) TATA AIG

Q4. Who is the Chairman and MD of ECGC Ltd.

- A) Alamelu T. Lakshmanachari B) Geetha Muralidhar
-
- C) K Sanath Kumar D) A V Girija Kumar

Q5. The Oriental Insurance Company Ltd was founded in which year?

- A) 1929 B) 1952 C) 1938 D) 1947

Q6. What should be the minimum paid up capital of an entity to start re-insurance business in India?

- A) Rs 200 crore B) Rs 100 crore C) Rs 500 crore D) Rs 300 crore

Q7. The Insurance Laws (Amendment) Bill, 2008 has amended which among the following acts?

- A) Insurance Act, 1938
-
- B) General Insurance Business (Nationalisation) Act, 1972
-
- C) Insurance Regulatory and Development Authority Act, 1999
-
- D) All the above

Q8. How many Insurance Ombudsman are functional in India?

- A) 21 B) 17 C) 9 D) 15

Q9. A person with expertise in measurement and management of risk and uncertainty in insurance business is known as _____

- A) Actuary B) Insurer C) Agent D) Claimant

Q10. The Oriental Insurance Company Ltd does not has its branch in which of the following countries?

- A) Nepal B) Kuwait C) UAE D) France

Answers & Explanations**Q1 (D)** **Q2 (B)** **Q3 (C)** **Q4 (B)** **Q5 (D)****Q6 (A)** The minimum equity capital requirement is Rs 100 crore for life insurance or general insurance and Rs 200 crore for a person exclusively in the business of re-insurance

Q7 (D)

Q8 (B) There are at present 17 Insurance Ombudsman in different locations

Q9 (A)

Q10 (D) The company also has branches in Nepal, Kuwait, and Dubai.

PRACTICE SETS'

Q1. The United India Insurance Company has its headquarter in which city?

- A) Kolkata B) New Delhi C) Mumbai D) Chennai

Q2. The Insurance Regulatory and Development Authority (IRDA) Act was passed in which year?

- A) 1999 B) 2000 C) 1998 D) 1997

Q3. The General Insurance Corporation of India (GIC) was converted into a national re-insurer in which year?

- A) 1995 B) 2000 C) 2014 D) 1999

Q4. How many companies were merged to form the United India Insurance Company (UIIC)?

- A) 12 B) 19 C) 22 D) 20

Q5. Selling of insurance products through banks is known as _____

- A) Banking Insurance B) Inclusive Banking C) Third Party Banking D) Bancassurance

Q6. The person who is specified by the insured to receive the insurance policy in case premature death is called a _____.

- A) Nominee B) Insured C) Insurer D) Appointee

Q7. The fixed amount of money paid by the insured to the insurance company regularly is called _____.

- A) Capital B) Annuity C) Premium D) Value

Q8. Which among the following banks is a subsidiary of the Life Insurance Corporation of India (LIC)?

- A) UCO Bank B) IDBI Bank C) Vijaya Bank D) Dena Bank

Q9. The Insurance plan under which a number of employees and their dependents are insured under a single policy is known as _____?

- A) Group insurance B) Co Insurance C) Double Insurance D) Self Insurance

Q10. Which among the following insurance companies is not based in Mumbai?

- A) The New India Assurance Company Limited (NIACL)
B) General Insurance Corporation of India (GIC Re)
C) ECGC Ltd
D) United India Insurance Company Limited

Answers & Explanations

Q1 (D)

Q2 (A)

Q3 (B)

Q4 (C) Twelve Indian insurance companies, four co-operative insurance societies, five foreign insurers with Indian operations and the general insurance operations of the southern region of Life Insurance Corporation of India were merged with United India Insurance Company Limited to form the company

Q5 (D)

Q6 (A)

Q7 (C)

Q8 (B)

Q9 (A)

Q10 (D)

PRACTICE SETS'

Q1. Life Insurance Corporation of India(LIC) was formed in which year?

- A) 1912 B) 1950 C) 1952 D) 1956

- Q2. What is the name of Satellite offices of Life Insurance Corporation of India (LIC)?
A) SAMPARK B) SAMADHAN C) SAMPOORNA D) SHATABDI
- Q3. Where is the headquarters of Life Insurance Corporation of India (LIC) located?
A) Delhi B) Pune C) Mumbai D) Chennai
- Q4. In which year Life Insurance Business in India was nationalized?
A) 1956 B) 1958 C) 1960 D) 1966
- Q5. Who is the present Chairman and Managing Director of Life Insurance Corporation of India (LIC)?
A) K Sanath Kumar B) M.R. Kumar C) G Srinivasan D) Atul Sahai
- Q6. What is the slogan of Life Insurance Corporation of India (LIC)?
A) Ek Shagun Zindagi Ke Naam B) Rest Assured with Us
C) Muskurate Raho D) Yogakshemam Vahaamyaham
- Q7. In which bank has Life Insurance Corporation of India (LIC) bought 51% stake recently?
A) HDFC Bank B) ICICI Bank C) IDBI Bank D) IDFC First Bank
- Q8. What is the paid up capital of Life Insurance Corporation of India (LIC)?
A) Rs 10 crore B) Rs 2 crore C) Rs 5 crore D) Rs 15 crore
- Q9. What percentage of annual profit does Life Insurance Corporation of India (LIC) pays to Central government?
A) 2% B) 5% C) 7% D) 10%
- Q10. What percentage of annual profit does Life Insurance Corporation of India (LIC) pays its policy holder?
A) 60% B) 85% C) 65% D) 95%

Answers & Explanations

Q1 (D)

Q2 (A) With a vision of providing easy access to its policyholders, LIC has launched its SATELLITE SAMPARK offices. The satellite offices are smaller, leaner and closer to the customer. The digitalized records of the satellite offices will facilitate anywhere servicing and many other conveniences in the future.

Q3 (C)

Q4 (A)

Q5 (B)

Q6 (D) Yogakshemam Vahaamyaham which means "Your welfare is our responsibility"

Q7 (C)

Q8 (C)

Q9 (B) To Government 5%

Q10 (D) 95% to Policy holder; 5% to government

PRACTICE SETS'

Q1. The Pradhan Mantri Vaya Vandana Yojana (PMVVY) has been launched by _____

- A) Life Insurance Corporation of India
B) Insurance Regulatory and Development Authority of India
C) Employees' Provident Fund Organisation
D) Pension Fund Regulatory and Development Authority

Q2. IRDAI has permitted the life insurance companies which have completed _____ years of operations, to raise capital through initial public offerings (IPOs)

- A) 12 years B) 5 years C) 8 years D) 10 years

- Q3. The insurance in which risks are shared between multiple insurers is known as _____
 A) Dual Insurance B) Co Insurance C) Self Insurance D) Reinsurance
- Q4. An independent professional person registered under the Insurance Act who represents the insurance buyer to purchase the insurers policy is known as _____
 A) Agent B) Insurer C) Claimant D) Broker
- Q5. The Insurance companies provide an option of reactivating the lapsed policy, within a specific period of time post the grace period. This period is known as _____
 A) Extended Period B) Lapsed Period C) Revival Period D) Renewed Period
- Q6. An insurance policy designed to protect professionals and business owners when they are found to be at fault for a specific event such as misjudgment is termed as _____
 A) Indemnity Insurance B) Business Default Insurance
 C) Risk Hall Insurance D) Entrepreneur Hall Insurance
- Q7. What is the paid- up capital of National Insurance Company Ltd?
 A) Rs 300 crore B) Rs 500 crore C) Rs 200 crore D) Rs 100 crore
- Q8. The situation where the benefits of insurance policy gets terminated due to non-payment of premium is called as _____
 A) Surrender B) Lapse C) Terminate D) Dormant
- Q9. What does 'Paid Up' policy means in insurance?
 A) Policy that requires no further premium payments and continues to provide benefits till maturity.
 B) Policy that provide a life cover for a specific term
 C) Policy for which the premium is paid in a single period together
 D) Policy in which the premium gets reduced over a period of time and benefit increases till maturity
- Q10. Which among the following is an accidental insurance scheme?
 A) PMJJBY B) PMFBY C) PMSBY D) PMVVY

Answers & Explanations

Q1 (A)

Q2 (D) The Insurance Regulatory and Development Authority of India (IRDAI) recently allowed life insurance companies that have completed 10 years of operations to raise capital through initial public offerings (IPOs).

Q3 (B)

Q4 (D) Brokers are not appointed by insurers. They solicit insurance quotes and/or policies from insurers by submitting completed applications on behalf of buyers.

Q5 (C)

Q6 (A)

Q7 (D)

Q8 (B)

Q9 (A)

Q10 (C) Pradhan Mantri Suraksha Beema Yojana (PMSBY); Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY); Pradhan Mantri Fasal Bima Yojana; Pradhanmantri Vaya Vandana Yojana (PMVVY)

PRACTICE SETS'

- Q1. Which among the following options is not correct?
 A) 1948 – Introduction of The Insurance Act
 B) 1956 – Nationalization of Life Insurance business
 C) 1972 – General Insurance Business (Nationalization) Act was passed
 D) 2000 – GIC was converted into National Re-insurer

- Q2. The General Insurance Business (Nationalization) Amendment Act was passed in which year?
A) 2000 B) 2002 C) 1999 D) 1998
- Q3. GIC was formed in pursuance of which section of General Insurance Business (Nationalization) Act (GIBNA)?
A) Section 8(1) B) Section 7(1) C) Section 9(1) D) Section 2(1)
- Q4. GIC was founded on _____
A) 1 July 1938 B) 31 January 1994 C) 25 April 1959 D) 22 November 1972
- Q5. The General Insurance Corporation of India (GIC) was incorporated as a private company under which act?
A) Insurance Act 1938 B) General Insurance Business (Nationalisation) Act, 1972
C) Companies Act, 1956 D) Insurance Regulatory and Development Authority Act, 1999
- Q6. With the nationalization, the General Insurance business in India was merged into how many companies?
A) 10 B) 9 C) 7 D) 4
- Q7. How many insurance companies were nationalized under the General Insurance Business (Nationalization) Act (GIBNA) 1972?
A) 107 B) 255 C) 98 D) 130
- Q8. Before GIC became the sole Re-Insurer in India, it had how many fully owned subsidiary companies?
A) 3 B) 1 C) 2 D) 4
- Q9. Who is the Chairman-cum-Managing Director of GIC?
A) Ravi Mital B) Alice G Vaidyan C) A. K. Das D) Usha Ramaswamy
- Q10. The Indian insurance companies are required by law to cede _____ percent of every policy value to GIC Re w.e.f. 1 April 2013
A) 5% B) 10% C) 15% D) 20%

Answers & Explanations

Q1 (A) The Insurance Act was introduced in 1938

Q2 (B) The General Insurance Business (Nationalisation) Amendment Act 2002 (40 of 2002) came into force from March 21, 2003.

Q3 (C) Q4 (D)

Q5 (C) General Insurance Corporation of India (GIC) was formed in pursuance of Section 9(1) of GIBNA. It was incorporated on 22 November 1972 under the Companies Act, 1956 as a private company limited by shares.

Q6 (D) General Insurance business was nationalized with effect from 1st January, 1973. 107 insurers were grouped into 4 companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd.

Q7 (A) 55 Indian insurance companies and 52 other general insurance operations of other companies were nationalized

Q8 (D) National Insurance Company Limited. The New India Assurance Company Limited. The Oriental Insurance Company Limited. United India Insurance Company Limited

Q9 (B) Q10 (A)

PRACTICE SETS

1. What is the share of Government of India in the GIC of India (GIC Re)?
A) 70.25% B) 100% C) 51.11% D) 85.78%

2. The authorized capital of the General Insurance Corporation of India (GIC) is Rs _____
A) Rs 500 crore B) Rs 1000 crore C) Rs 100 crore D) Rs 1500 crore
3. General Insurance Corporation of India (GIC) has its foreign branches in how many countries?
A) 1 B) 2 C) 3 D) None
4. Which among the given is the wholly owned subsidiary of GIC Re?
A) GIC-Bhutan RE Ltd. B) GIC Re South Africa Ltd.
C) Agricultural Insurance Company of India Ltd D) GIC
5. The New India Assurance Company Limited was founded in which year?
A) 2 March 1928 B) 18 December 1922 C) 28 January 1932 D) 23 July 1919
6. The headquarter of The New India Assurance Company Ltd is located in which city?
A) Kolkata B) Chennai C) Mumbai D) Delhi
7. Who is the current CMD of The New India Assurance Company Ltd?
A) Atul Sahai B) Debasish Panda C) Neelam Damodharan D) P. Ramana Murthy
8. What is the authorized capital of The New India Assurance Company Ltd?
A) Rs 100 crore B) Rs 500 crore C) Rs 200 crore D) Rs 300 crore
9. Who is the founder of The New India Assurance Company Ltd?
A) Pallonji Mistry B) Sir Dorabji Tata C) Ardeshir Godrej D) S.K. Burman
10. The New India Assurance Company Ltd is a _____ type of company
A) General Insurance Company B) Life Insurance Company
C) Pension Regulator D) Asset Reconstruction Company

Answers & Explanations

- Q1 (D)** GIC Re was a wholly-owned company of Government of India until its initial public offer (IPO) in October 2017. After the IPO Government of India's holding in GIC Re declined to 85.78%
- Q2 (B)** The paid-up equity capital is Rs.430 crore
- Q3 (C)** It has 3 branches in located at London, Dubai and Kuala Lumpur and 1 representative office in Moscow
- Q4 (B) Q5 (D) Q6 (C) Q7 (A)**
- Q8 (D)** The paid-up equity capital of the company is Rs.200 crore
- Q9 (B) Q10 (A)**

PRACTICE SETS'

1. The United India Insurance Company (UIIC) Limited was incorporated on _____
A) 31 December 1919 B) 25 January 1946 C) 18 February 1938 D) 09 March 1952
2. UIIC was nationalised in which year?
A) 1956 B) 1972 C) 1999 D) 2000
3. How many companies were merged with the United India Insurance Company Limited with nationalization?
A) 20 B) 14 C) 19 D) 22
4. What is the authorized capital of the United India Insurance Company Limited?
A) Rs 200 crore B) Rs 300 crore C) Rs 100 crore D) Rs 500 crore

5. The headquarter of UIIC is in which city?

- A) Kolkata B) Mumbai C) Chennai D) Hyderabad

6. Name the Chairman cum Managing Director of UIIC?

- A) Susmita Mukherjee B) Girish Radhakrishnan C) S. Gopakumar D) B Rajaram

7. The Oriental Insurance Company Limited was incorporated in which year?

- A) 15 July 1938 B) 30 April 1942 C) 21 January 1954 D) 12 September 1947

8. Where is the headquarter of The Oriental Insurance Company Ltd located?

- A) New Delhi B) Mumbai C) Chennai D) Kolkata

9. Name the Chairman-cum-Managing Director of The Oriental Insurance Company Ltd

- A) Dinesh Waghela B) A. V. Girija Kumar C) Soumya Mukherjee D) K.N Nayak

10. What is the authorized capital of The Oriental Insurance Company Ltd?

- A) Rs 150 crore B) Rs 500 crore C) Rs 200 crore D) Rs 250 crore

Answers & Explanations

Q1 (C) Q2 (B)

Q3 (D) 12 Indian Insurance Companies, 4 Cooperative Insurance Societies and Indian operations of 5 Foreign Insurers, besides General Insurance operations of southern region of Life Insurance Corporation of India were merged with United India Insurance Company Limited.

Q4 (A) The authorized capital and paid-up equity capital of the company is Rs.200 crore and Rs.150 crore respectively.

Q5 (C) Q6 (B) Q7 (D) Q8 (A) Q9 (B)

Q10 (C) The authorized capital and paid-up equity capital of the company is Rs.200 crore

PRACTICE SETS'

Q1. When was the National Insurance Company Limited (NICL) incorporated?

- A) 5 December 1906 B) 18 July 1984 C) 22 November 1938 D) 30 April 1919

Q2. Where is the headquarter of NICL located?

- A) Hyderabad B) Mumbai C) Kolkata D) Jaipur

Q3. Who is the Chairman cum Managing Director of NICL?

- A) K Sanath Kumar B) Tajinder Mukherjee C) Sidharth Pradhan D) Lalit Kumar Chandel

Q4. What is the authorized capital of NICL?

- A) Rs 500 crore B) Rs 300 crore C) Rs 100 crore D) Rs 200 crore

Q5. How many insurance companies were merged with National Insurance Company Limited after nationalization in 1972?

- A) 54 B) 19 C) 32 D) 28

Q6. Apart from being a leading insurance provider in India, NICL also serves which other country?

- A) Nepal B) Sri Lanka C) Bhutan D) Bangladesh

Q7. The Agriculture Insurance Company Of India Limited was incorporated on _____

- A) 6 August 1999 B) 29 October 1997 C) 12 February 2000 D) 20 December 2002

- Q8. Who is the Chairman cum Managing Director of Agriculture Insurance Company Of India Limited (AIC)?
A) Ashish Kumar Bhutani B) Alamelu T. Lakshmanachari
C) N Srinivasa Rao D) Alice G. Vaidyan
- Q9. What is the authorized capital of Agriculture Insurance Company (AIC) Limited?
A) Rs 1500 crore B) Rs 1000 crore C) Rs 500 crore D) Rs 800 crore
- Q10. The headquarter of Agriculture Insurance Company Of India Limited (AIC) is located in which city?
A) Bengaluru B) Pune C) New Delhi D) Hyderabad

ANSWER KEYS'

Q1 (A) Q2 (C) Q3 (B)

Q4 (D) The authorized capital and paid-up equity capital of the company is Rs.200 crore and Rs.100 crore respectively.

Q5 (C) After nationalization in 1972 it was merged, along with 21 foreign and 11 Indian companies, to form National Insurance Company Ltd

Q6 (A)

Q7 (D) 'Agriculture Insurance Company Of India Limited' (AIC) was incorporated to exclusively cater to the insurance needs of the persons engaged in agriculture and allied activities in India under the Companies Act, 1956 on 20th December 2002

Q8 (B)

Q9 (A) The Authorized Share Capital of the Company is Rs. 1500 crore with initial Paid-up Equity Share Capital of the Company of Rs. 200 crore.

Q10 (C)

PRACTICE SETS'

- What is the shareholding of National Agricultural and Rural Development Bank (NABARD) in Agriculture Insurance Company of India Limited (AIC)?
A) 30% B) 35% C) 40% D) 45%
- The insurance is listed in which schedule to the Constitution of India?
A) 3rd B) 14th C) 9th D) 7th
- Since which year, IRDA started licensing private sector companies to conduct general insurance business in India?
A) 1999 B) 2001 C) 2004 D) 1992
- Name the committee that recommended the entry of the private sector in the insurance business and also foreign companies be allowed entry by forming joint venture with Indian companies
A) Malhotra Committee B) Gupte Committee
C) Amphora Committee D) Banarji Committee
- The Actuaries Act was passed in which year to regulate and develop the profession of Actuaries?
A) 2006 B) 1999 C) 2000 D) 1995
- The first ever life insurance industry in India was set up in which city?
A) Bombay B) Delhi C) Madras D) Calcutta
- Which among the following was the first life insurance company in India to cater to the needs of Indians?
A) Indian Mercantile Insurance Company Ltd
B) Madras Equitable Life Insurance Society

- C) Bombay Mutual Life Assurance Society
D) Oriental Life Insurance Company

8. The insurance law in India has its origin from which country?

- A) France B) United Kingdom C) United States D) Russia

9. The first general insurance company was set up in which city of India?

- A) Delhi B) Madras C) Bombay D) Calcutta

10. Which among the given is the first general insurance company in India to be set up by an Indian?

- A) Oriental Insurance Company Ltd B) Liberty General Insurance Company Ltd
C) Indian Mercantile Insurance Company Ltd D) Star Health and Allied Insurance Company Ltd

Answers & Explanations

Q1 (A) Indian General Insurance Corporation – 35 % ; National Agricultural and Rural Development Bank (NABARD) – 30 % ; National Insurance Company Limited – 8.75 % ; The New India Assurance Company Limited – 8.75 % ; The Oriental Insurance Company Limited – 8.75 % ; United India Insurance Company Limited – 8.75 %

Q2 (D) Insurance is a subject listed in the concurrent list in the Seventh Schedule to the Constitution of India where both center and states can legislate.

Q3 (B) In 2001, Private Sector Companies were also licensed by IRDA to conduct general insurance business in India.

Q4 (C) **Q5 (A)** **Q6 (D)** **Q7 (C)**

Q8 (B) Insurance law in India had its origins in the United Kingdom with the establishment of a British firm, the Oriental Life Insurance Company in 1818 in Calcutta

Q9 (D) The first general insurance company Triton Insurance Company Ltd. was promoted in 1850 by British nationals in Calcutta.

Q10 (C) The first general insurance company established by an Indian was Indian Mercantile Insurance Company Ltd. in Bombay in 1907.

PRACTICE SETS'

1. The Life Insurance Business is defined in which section of the Insurance Act, 1938?

- A) Section 2(11) B) Section 3C(11) C) Section 1(11) D) Section 4A(11)

2. Who appoints the member of Insurance Regulatory and Development Authority (IRDA)?

- A) RBI B) Government of India C) Special panel formed by the RBI D) None of the above

3. The IRDA board can consist of a maximum of how many members?

- A) 12 B) 8 C) 5 D) 10

4. What is the minimum paid up equity capital requirement to carry insurance business in India?

- A) Rs 5 billion B) Rs 1 billion C) Rs 3 billion D) Rs 2 billion

5. The minimum shareholding limit of promoters / promoter group shall at all times be maintained at _____ percent of the paid up equity capital of the insurer.

- A) 50% B) 20% C) 32% D) 40%

6. SEBI defines AIF as privately held and managed pool of investment fund. What does AIF stands for?

- A) Angel Investment Fund B) Alternative Investment Fund
C) Abundant Investment Fund D) Applicable Investment Fund

7. The Private equity investors shall not hold more than _____ percent of the paid up equity share capital of the Indian insurance company.
A) 15% B) 20% C) 5% D) 10%
8. In case of an individual, the proposed shareholding in the paid up equity capital of the insurance company is capped at _____ percent
A) 10% B) 5% C) 20% D) 12%
9. The amount which the policy holder will get from the insurance company if he exits the policy before maturity is known as _____
A) Paid Up value B) Penetration Rate C) Surrendered value D) Annuity value
10. What is the minimum paid up equity capital requirement to carry Reinsurance business in India?
A) Rs 1 billion B) Rs 2 billion C) Rs 2.5 billion D) Rs 1.5 billion

Answers & Explanations

- Q1 (A) Q2 (B) 3 (D)**
Q4 (B) A minimum paid up equity capital of rupees one billion (Rs. 100 crores) is required in case of an applicant which seeks to carry on the business of life insurance or general insurance.
Q5 (A) Q6 (B) Q7 (D)
Q8 (A) Shareholders permitted 10 per cent or more in an insurance company will be subject to a minimum lockin period of five years
Q9 (C) Q10 (B)

PRACTICE SETS'

- Q1. A company licensed by IRDA for maintaining data of insurance policies in electronic form on behalf of Insurers is known as _____
A) Insurance Repository B) Insurance Miner
C) Demat Insurance Company D) Insurance Warehouse
- Q2. A policy holder can open how many e Insurance Account (e IA) to keep policies in electronic mode?
A) Unlimited B) Three C) Two D) One
- Q3. Which among the following entities offers export credit insurance protection to exporters against payment risks?
A) IRDA B) ECGC Limited C) ESIC D) AIC Limited
- Q4. The Agriculture Insurance Company of India Limited (AIC) was set up in which year?
A) 1982 B) 1999 C) 2002 D) 2014
- Q5. The Employment State Insurance (ESI) Act of 1948 is applicable to all establishments having _____ or more workers.
A) 25 B) 50 C) 20 D) 10
- Q6. A product offered by insurance companies that provides both insurance and investment product under a single integrated plan is known as _____
A) Unit Linked Insurance Plan B) Endowment policy
C) Money Back Policy D) Term Life Insurance
- Q7. How many Reinsurance companies have been identified by IRDAI?

- A) 4 B) 2 C) 1 D) 5

Q8. Name the Indian Insurance company which was recently honoured with the Golden Peacock Innovative Product/Services Award 2019?

- A) Acko General Insurance Limited B) Bajaj Allianz General Insurance
C) IFFCO TOKIO General Insurance D) Reliance Health Insurance Limited

Q9. The first Employees' State Insurance (ESI) Scheme was inaugurated in which city?

- A) Chennai B) Delhi C) Kanpur D) Mysore

Q10. Which among the following is IRDAI recognized apex body of licensed Insurance Brokers?

- A) IBBI B) FICCI C) IAI D) IBAI

Answers & Explanations

Q1 (A)

Q2 (D) A policy holder should open an e Insurance Account (e IA) with one of the Insurance Repositories to be able to buy and keep policies in electronic mode. An individual can have only one e IA with any one of the Insurance Repositories.

Q3 (B)

Q4 (C) AIC was incorporated on 20 December 2002

Q5 (D) The act was initially intended for factory workers but later became applicable to all establishments having 10 or more workers. As on 31 March 2016, the total beneficiaries are around 82.8 million

Q6 (A)

Q7 (B) ITI Reinsurance Limited and General Insurance Corporation of India

Q8 (A)

Q9 (C) The scheme was inaugurated in Kanpur on 24th February 1952 (ESIC Day) by then Prime Minister Pandit Jawahar Lal Nehru.

Q10 (D) Insurance Brokers Association of India (I.B.A.I.) was incorporated as a Company under Section 25 of the Companies Act, 1956. The main objects of IBAI are to promote interaction among the Insurance/Re-insurance Broker members and to encourage, promote, facilitate and protect the interests of the members of IBAI

PRACTICE SETS'

Q1. Which country is the first in the world to introduce the concept of Insurance Repository services?

- A) India B) United States C) United Kingdom D) France

Q2. A foreign company is not allowed to hold at any time, more than _____ percent of the total paid-up equity of the Indian Insurance Company

- A) 10% B) 26% C) 50% D) 49%

Q3. What is the authorized capital of the ECGC Limited?

- A) Rs 2000 crores B) Rs 5000 crores C) Rs 2500 crores D) Rs 4000 crores

Q4. Which Section of the Insurance Regulatory and Development Authority Act, 1999 specifies the composition of IRDAI?

- A) Section 7 B) Section 2 C) Section 4 D) Section 6

Q5. Which among the following is not a type of intermediaries in insurance business?

- A) Insurance Agents B) Insurance Brokers C) Bancassurance D) Distribution Channel

Q6. Which among the following is not an insurance company?

- A) National Securities Depository Limited B) ICICI Lombard

C) Tata AIG

D) New India Assurance Co. Ltd

Q7. The Insurance Advisory Committee advises IRDAI on development, disclosures and regulatory aspects of the insurance industry. The Committee cannot have more than _____ members at any point of time

A) 15

B) 20

C) 25

D) 10

Q8. The amount paid by the policy holder before an insurance provider begins to pay any expenses is known as _____

A) Premium

B) Deductibles

C) Co-Payments

D) Annuity

Q9. What is the total stake of the Punjab National Bank in the insurance firm PNB MetLife India Ltd?

A) 30%

B) 50%

C) 35%

D) 55%

Q10. Which Section of the IRDA Act 1999, specifies the Duties, Powers and Functions of the Authority?

A) Section 12

B) Section 8

C) Section 10

D) Section 14

Answers & Explanations

Q1 (A)

Q2 (D) No Indian Insurance company shall allow the aggregate holdings by way of total foreign investment in its equity shares by foreign investors, including portfolio investors, to exceed forty-nine percent of the paid up equity capital of such Indian Insurance company

Q3 (B) The present paid-up capital of the company is Rs. 1200 crores and authorized capital Rs.5000 crores

Q4 (C)

Q5 (D)

Q6 (A)

Q7 (C)

Q8 (B)

Q9 (A) PNB MetLife was initially launched as MetLife India Insurance Company Limited in 2001. In 2013, PNB acquired 30% stake in MetLife India Insurance and the new private sector life insurer was re-branded as PNB MetLife India Ltd

Q10 (D)

PRACTICE SETS'

1. Name the first private sector life insurance company in India

A) ICICI Prudential Life Insurance

B) HDFC Life

C) Birla Sun Life Insurance

D) Bajaj Allianz Life Insurance

2. What is the maximum age requirement to apply for the Pradhan Mantri Suraksha Bima Yojana?

A) 70 years

B) 65 years

C) 60 years

D) 55 years

3. What is the total number of life insurance companies operating in India?

A) 20

B) 28

C) 19

D) 24

4. The SBI Life Insurance is a joint venture between the State Bank of India and _____

A) AXA

B) Met Life

C) BNP Paribas Cardif

D) Aviva

5. Which is the first Private Sector Reinsurance Company in India?

A) Shriram Reinsurance Limited

B) ITI Reinsurance Limited

C) Cigna Reinsurance Limited

D) Star Reinsurance Limited

6. A combination of two or more individual policies into a single policy is known as _____

A) Combined Policy

B) Group Policy

C) Multiple Policy

D) Package Policy

7. Which among the following is a 100% Indian owned life insurance company?

A) Exide Life Insurance Company

B) HDFC Life Insurance

- C) Bajaj Allianz Life Insurance D) Reliance Nippon Life Insurance
8. The IRDA established 'Institute of Insurance and Risk Management' is located in which city?
A) Mumbai B) Hyderabad C) Kolkata D) New Delhi
9. How many Insurance Repositories are functional in India?
A) 8 B) 6 C) 5 D) 4
10. Which among the following is the first insurance company in India to be listed on NSE and BSE?
A) HDFC Life B) General Insurance Corporation of India
C) ICICI Prudential Life Insurance D) SBI Life

Answers & Explanations

Q1 (B)

Q2 (A) Minimum age- 18 years

Q3 (D)

Q4 (C)

Q5 (B)

Q6 (D)

Q7 (A)

Q8 (B)

Q9 (D) IRDA originally issued licenses to five entities to act as Insurance Repositories, however, SHCIL Projects Limited surrendered its Insurance Repository license in September 2015. The remaining four are:

- CDSL Insurance Repository Limited (CDSL IR)
- Karvy Insurance Repository Limited
- National Insurance-policy Repository
- CAMS Insurance Repository Services Limited

Q10 (C)

PRACTICE SETS'

Q1. Name the international body that provides political risk insurance.

- A) International Development Association (IDA)
B) International Finance Corporation (IFC)
C) Multilateral Investment Guarantee Agency (MIGA)
D) International Centre for Settlement of Investment Disputes (ICSID)

Q2. The IRDA allowed the entry of private sector into the Indian Insurance sector in which year?

- A) 2000 B) 2004 C) 2009 D) 2006

Q3. An insurance company that passes the part or all of its risks from its insurance policy portfolio to a reinsurance firm is known as _____

- A) Relinquishing Company B) Renounced Company
C) Dependent Company D) Ceding Company

Q4. Floater insurance does not provide insurance coverage to _____

- A) Expensive Jewelleries B) Antique Equipments
C) House D) Rare coins and collections

Q5. The owner of an asset who grants it at lease to another party is also known as _____

- A) Lapse B) Lessor C) Lessee D) Libel

Q6. Which among the following companies completely acquired the business of ING Vysya Life Insurance?

- A) Exide Industries B) Aviva C) Reliance D) Met Life

Q7. The IndiaFirst Life Insurance Company is a joint venture between 2 Indian banks and UK based firm Legal & General. Name the two banks.

- A) UCO Bank and Andhra Bank
B) Bank of Baroda and Punjab National Bank
C) Punjab National Bank and United bank of India
D) Bank of Baroda and Andhra Bank

Q8. How many entities in India are authorized to open Electronic Insurance Account?

- A) 4
B) 10
C) 1
D) All Insurance companies

Q9. HDFC ERGO General Insurance Company Limited is a joint venture between HDFC Ltd. and ERGO International AG. What is the stake of HDFC in the company?

- A) 62%
B) 51%
C) 49%
D) 80%

Q10. Which among the following insurance company is based in Gurgaon?

- A) Max Bupa Health Insurance Company Limited
B) HDFC General Insurance Company Limited
C) Religare Health Insurance Company Limited
D) Bharti AXA General Insurance Company Limited

Answers & Explanations

Q1 (C) Q2 (A) Q3 (D)

Q4 (C) Floater insurance covers property that is easily movable and provides additional coverage over what normal insurance policies do not. This can cover anything from jewelry to expensive stereo equipment

Q5 (B) Q6 (A) Q7 (D)

Q8 (A) IRDA has granted the Certificate of Registration to four entities to act as 'Insurance Repositories' that are authorized to open e-Insurance Accounts.

Q9 (B) Q10 (C)

PRACTICE SETS'

Q1. The HDFC Life Insurance was previously known as _____

- A) HDFC ERGO Life Insurance
B) HDFC Prudential Life Insurance
C) HDFC Standard Life Insurance
D) HDFC Sun Life Insurance

Q2. The headquarter of the International Association of Insurance Supervisors (IAIS) is located at _____

- A) Geneva, Switzerland
B) Berlin, Germany
C) Singapore
D) Basel, Switzerland

Q3. 'Your Welfare is Our Responsibility' is the slogan of which insurance company?

- A) Life Insurance Corporation of India
B) United India Insurance Company Limited
C) The Oriental Insurance Company Limited
D) National Insurance Company limited

Q4. Which among the following is the largest non-bank private-sector life insurer in India?

- A) TATA AIA Life Insurance Company Limited
B) Max Life Insurance Company Limited
C) Exide Life Insurance Company Limited
D) Bajaj Allianz Life Insurance Company Limited

Q5. GIC Re receives statutory cession of _____ percent on each and every policy subject to certain limits

- A) 8%
B) 10%
C) 2%
D) 5%

Q6. Munich Re is a leading reinsurance company based in which country?

- A) France
B) Switzerland
C) Germany
D) China

- Q7. Name the insurance company which has received the Assocham Non-Life Insurer of the Year Award 2019?
 A) Bharti AXA General Insurance Company Limited
 B) ICICI Lombard General Insurance Company Limited
 C) Acko General Insurance Company Limited
 D) Bajaj Allianz General Insurance Company Limited
- Q8. Who is the Chairman cum Managing Director of the ECGC Limited?
 A) M Senthilnathan B) Geetha Muralidhar C) Bidyut Behari Swain D) Alice G. Vaidyan
- Q9. Besides serving India, the state owned National Insurance Company Limited (NICL) also provides its insurance service in which country?
 A) Pakistan B) Malaysia C) Bhutan D) Nepal
- Q10. Name the first wholly Indian-owned Life Insurance Company in the private sector?
 A) Exide Life Insurance Company Limited B) Shriram Life Insurance Company Limited
 C) Sahara India Life Insurance Company Limited D) IndiaFirst Life Insurance Company

Answers & Explanations

- Q1 (C)** **Q2 (D)** **Q3 (A)** **Q4 (B)**
Q5 (D) GIC writes reinsurance for every non-life and over half of the life insurance companies in India. GIC Re receives statutory cession of 5 percent on each and every policy subject to certain limits.
Q6 (C) **Q7 (A)** **Q8 (B)** **Q9 (D)**
Q10 (C) It started operating from 30 October 2004 after being granted license to operate as a life insurer in India by Insurance Regulatory and Development Authority on 6 February 2004.

PRACTICE SETS'

- Q1. The Aviva Life Insurance is a joint venture between the Aviva International Holding Limited and _____
 A) Tata Group B) Corporation Bank C) Dabur Invest Corp D) Reliance Capital
- Q2. The Insurance Marketing Firm (IMF) was set up by IRDA as distribution channel upon the recommendation of which committee?
 A) Randip Singh Jagpal Committee B) NM Govardhan Committee
 C) V Badrinarayanan Committee D) Prashant Mudgil Committee
- Q3. What is the shareholding of LIC in the total paid-up equity share capital of the IDBI Bank?
 A) 51% B) 49% C) 46.46% D) 58%
- Q4. The maximum number of Managing Directors that can be appointed in the Life Insurance Corporation of India (LIC) is _____
 A) 1 B) 2 C) 3 D) 4
- Q5. Name the first insurance company in India to launch the Bank Locker Protector Policy
 A) Reliance General Insurance B) HDFC ERGO General Insurance
 C) IFFCO Tokio General Insurance D) United India Insurance
- Q6. The first general insurance company in India to receive dual certifications of ISO 9001:2008 and ISO 27001:2005 in the first year of its operation is _____
 A) Future Generali India Insurance B) Bharti AXA General Insurance
 C) Cholamandalam MS General Insurance D) Tata AIG General Insurance

Q7. The SBI Life Insurance has entered into one of the biggest bancassurance pact with which bank in the year 2019, to sell its policies through bank branches?

- A) Punjab National Bank
B) Allahabad Bank
C) Syndicate Bank
D) Corporation Bank

Q8. The Times Group has joint venture in which of the following insurance companies?

- A) Aegon Life Insurance Company
B) Shriram Life Insurance Company
C) Max Life Insurance Company
D) Sahara Life Insurance Company

Q9. Name the Indian insurance company which is the largest shareholder of the Infrastructure Leasing & Financial Services Limited (IL&FS)

- A) New India Assurance Company Limited
B) Export Credit Guarantee Corporation of India
C) Agriculture Insurance Company of India
D) Life Insurance Corporation of India

Q10. Who is the Chairman of the committee formed by IRDAI to identify the Systemically Important Insurers (SIIs)?

- A) Pradip Biswas
B) M.R. Kumar
C) Pravin Kutumbe
D) Hemant Bhargava

Answers & Explanations

Q1 (C) Q2 (B)

Q3 (A) LIC Holds 51% stake in IDBI, Government holds 46.46% stake and the remaining 2.54% is held by the public

Q4 (D)

Q5 (C) The policy offers seven options of sum insured ranging from Rs 3 lakh to Rs 40 lakh and above.

Q6 (B) Q7 (B)

Q8 (A) It is a joint venture between Dutch Aegon N.V. and The Times Group

Q9 (D) Q10 (C)

PRACTICE SETS'

Q1. The Comprehensive insurance is generally associated with the insurance of _____

- A) Bank Lockers
B) Life
C) Health
D) Automobile

Q2. What is the minimum cooling-off period available on all insurance policies?

- A) 3 days
B) 7 days
C) 14 days
D) 30 days

Q3. CTP insurance is needed when registering a vehicle. What does it stands for?

- A) Compulsory Third Party Insurance
B) Common Travel Plan Insurance
C) Cover Trip Period Insurance
D) Car Term Policy Insurance

Q4. A situation where the policy holder may not have enough insurance claim to cover the value of the insured property is known as _____

- A) Co-Insurance
B) Underinsurance
C) Overinsurance
D) Self insurance

Q5. What is Fidelity insurance?

- A) insurance taken by a company for the Board members of the company
B) the vehicle insurance provided by a company to its employees
C) insurance of all important bank documents
D) insurance taken out by an employer against losses incurred through dishonesty by employees

Q6. The amount received by the policy holder from the insurance company if he exits the policy before maturity is known as _____

- A) Low value B) Paid up value C) Surrendered value D) Penetration value

Q7. Which among the following insurance company is known for insuring the acclaimed film Bahubali 2?

- A) Future Generali India Insurance B) Bharti AXA Life Insurance
C) IDBI Federal Life Insurance D) PNB MetLife India Insurance

Q8. What is the share of Reliance Capital in the total equity capital of the Reliance General Insurance?

- A) 51% B) 100% C) 75% D) 69%

Q9. The Bajaj Allianz General Insurance Company Limited has its headquarter in which city?

- A) Gurgaon B) Mumbai C) Kolkata D) Pune

Q10. The policy for which all benefits to the policyholder cease and is terminated due to non payment of premium amount on the due date or even after the grace period is called as _____

- A) Locked policy B) Overdue policy C) Lapsed policy D) Knock-out policy

Answers & Explanations

Q1 (D) Comprehensive insurance is a type of automobile insurance that helps to pay for damage to your vehicle from causes other than a collision like fire, vandalism or falling objects (like a tree or hail).

Q2 (C) By law, all insurance policies have a minimum 14-day cooling-off period. During this period, you can cancel the policy for any reason and get a refund of any premiums you've paid.

Q3 (A) Compulsory Third Party (CTP) Personal Injury Insurance, also known as a Green Slip must be purchased before you can register your vehicle. CTP insurance is intended for the situation where another person is injured or killed in an accident, which is caused by the driver of the insured vehicle.

Q4 (B) Underinsurance refers to inadequate insurance coverage held by a policyholder. In the event of a claim, underinsurance may result in economic losses to the policyholder, since the claim would exceed the maximum amount that can be paid out by the insurance policy

Q5 (D) Q6 (C) Q7 (A) Q8 (B) Q9 (D) Q10 (C)

PRACTICE SETS

1. Which of the following is the best description of what Insurance is?

- a. insurance – paying for other mistake
b. insurance – collective bearing of risk
c. insurance – paying for something which will never happen
d. all of the above

2. Which of the following term is not used in the world of finance, banking and insurance?

- a. hard currency b. amnesty
c. devaluation d. sinking fund

3. The insurance companies collect a fixed amount form its customers at a fixed interval of time, what is it called?

- a. premium b. EMI
c. contribution d. instalment

4. Insurance is a plan by which large number of people associate themselves and transfer to the shareholders of all, risk that attach to the individual. Who said these words

- a. AH Willled b. John H Magee
c. Sprigler d. Lewis

5. By which scholar insurance defined as "insurance is a social device for making accumulation to meet uncertain losses of capital which is carried out through the transfer of risk of many individual to one person or to a group of persons?

- a. Lewis
- b. Willset
- c. AH Willd
- d. Magee

6. A person or company that underwrites an insurance risk or the party in an insurance contract undertaking to pay compensation is known as

- a. insured
- b. insurer
- c. assured
- d. insurant

7. The amount of money an insurance policy guarantees to pay before any bonuses are added is known as

- a. sum assured
- b. return
- c. premium
- d. none of these

8. Inadequate insurance coverage held by a policy holder is known as

- a. insurance
- b. underinsurance
- c. max insurance
- d. premium

9. When the insurance paper is not deposit on time, then it is known as

- a. underinsurance paper
- b. timeless insurance
- c. max insurance paper
- d. all of these

10. Which type of insurance usually requires higher premiums?

- a. board form insurance
- b. whole life insurance
- c. helath insurance
- d. term insurance

11. Which of the following form is designed to be used by many different insurers and has exactly the same provision?

- a. guaranteed replacemet form
- b. standard insurance form
- c. standard endorsement form
- d. standard policy form

12. limit of FDI in insurance sector

- a. 47%
- b. 50%
- c. 49%
- d. 51%

13. Insurance is listed in the constitution of India in _____ schedule as union list subject

- a. eight
- b. ninth
- c. 7th
- d. 10th

14. Insurance is legislated by

- a. insurance company
- b. state government
- c. central government
- d. government of india

15. Which of the following is not the principle of Insurance

- a. utmost good faith
- b. principle of contribution
- c. maximization of profit
- d. causa proxima

16. As per the news published in various newspapers, life insurance policies may become paperless in the near future. This means

- a. LIC will not insure any person hereafter as it has already reached its peak.
- b. all policy related documents and policy certificates will henceforth be available in electronic form and not in their present physical form
- c. LIC henceforth will not entertain any claim or complaint in written form or on paper. Things should be in electronic condition.
- d. none of the above

17. Which of the following correctly describes, what the Bancassurance is

- 1. It is an arrangement whereby the branches of a bank sell or distribute insurance products of an insurance company.

2. It is a new product developed or launched by the banks in which the risks of the high value customers are covered for any losses to their property and or lives through an insurance cover.
3. It is a new product launched by the banks by which they are providing insurance cover to exporters or importers for the losses, if any due to high fluctuations in the exchange rates of dollars and other major currencies.

Select the correct answer using the codes given below

- a. only 2 b. only 1 c. 1 2 none of these

18. Which is not an objective of insurance from amongst the following?

- a. security of risk b. limited area
c. insurance is a contract d. risk transfer method

19. the written insurance contracts that may include all clauses, riders and endorsements, it is called?

- a. instalment b. premium c. policy d. asset

20. A sellers market in which insurance is expensive and in short supply is termed as ____

- a. hard market b. soft market
c. alternative market d. none of these

21. Which of the following statement is correct?

- a. an insurance agent has fixed working hours
b. an insurance agent has to mark his attendance in office every day
c. an insurance agent works according to his schedule
d. an insurance agent cannot do any other work.

22. Which of the following statement is correct?

- a. a policy reported to be lost may actually have been assigned
b. a policy has no value after the payment of survival benefits
c. both a and b
d. none of the above

23. The central office of the life insurance corporation of India is located to

- a. Kolkata b. New Delhi c. Pune d. Mumbai

24. A contract that pledges payment of an agreed amount to the person on the happening of an event covered against, is technically known as

- a. life insurance b. death coverage
c. saving for future d. provident fund

25. Largest life insurance company in India is

- a. The new India assurance company limited b. Life insurance corporation of India
c. United India insurance company limited d. National insurance company limited

26. which was an oldest insurance company found in 1906?

- a. LIC b. National insurance company
c. Agriculture insurance company of india d. united india insurance company.

27. What is the CRISIL rating for New India assurance company limited?

- a. AA/Stable b. AAA/ Stable c. AA/ negative d. AAA/negative

28. Which one of the following does not belong to the main products of life insurance?

- a. term b. whole life c. endowment d. personal accident insurance

29. A type of insurance that combines protection with investment plan is called

- a. whole life b. limited pay c. universal d. endowment

30. Which of the following was the parent company of New India insurance?
a. LIC b. GIC c. United India Insurance d. None of these
31. Which of the following companies was launched with NABARD as one of its promoters with 30% stake in it?
a. general insurance corporation ltd. b. SBI Life insurance company ltd
c. National Insurance company ltd d. none of the above
32. Oldest operating general insurance company in India
a. NIACL b. NICL c. LIC d. OICL
33. Which of the following public sector companies organisations provides insurance cover to exporters?
a. NABARD b. ECGC c. SIDBI d. IRDA
34. When the general insurance business nationalised?
a. 1970 b. 1971 c. 1972 d. 1973
35. A single policy covering a group of individuals. Usually employees of the same company or members of the same association and their dependents is called
a. hospital insurance b. hull insurance
c. group insurance d. identify theft insurance
36. A state law requires individuals suffering injury or loss from an automobiles accidents to be reimbursed by their own insurance companies. What type of insurance is this?
a. No fault auto insurance b. Public liability insurance
c. automobile physical damage insurance d. comprehensive insurance
37. Which type of Insurance policy will protect a business from theft and forgery by its employees?
a. Burglary insurance b. Facility bond
c. Indemnity insurance d. Liability insurance
38. Which type of insurance covers damage or injury caused by a vehicle with no liability insurance coverage?
a. comprehensive insurance b. uninsured motorists insurance
c. public liability insurance d. no-fault automobile insurance
39. Insurance company transfers the risk insured to another company. This is known as
a. Reinsurance b. TPAs c. Bancassurance d. Actuaries
40. An insurance that is purchased by an insurance company to remain solvent after major claims is known as
a. insurance b. under insurance c. max insurance d. reinsurance
41. Most firms shift their risks by
a. buying an insurance policy b. establishing a self insurance fund
c. establishing a safety programme d. stopping the questionable activity
42. Which of the following statements is the best explanation of how insurance allows a company to manage risk?
a. By avoiding risk b. modifying risk
c. by preventing risk d. transferring risk
43. Risks that insurance firms will not assume are called
a. uninsurable risk b. insurable risk

c. pure risk

d. avoidable risks

44. Which risk management technique does self-insurance satisfy?

a. risk reduction

b. risk assumption

c. risk avoidance

d. shifting risk

45. The main role of an underwriter in a non-life insurance company is normally to

a. assess the acceptability of particular risk

b. certify loss when claims are submitted

c. design the structure of the products to be offered

d. negotiable with the industry regulator

46. Which of the following is not an example of a method of protection of risk?

a. group insurance plans

b. employee benefits

c. social insurance

d. humanitarian aid

47. Defective electrical wiring that may lead to fire is an example of

a. pure risk

b. non-diversifiable risk

c. speculative risk

d. physical hazard

48. Risk pooling is an example of

a. a catastrophic loss event

b. diversifying risk

c. a speculative risk

d. applying the risk return trade-off

49. A pure risk is defined as

a. an event that offer no opportunity for financial gain

b. the chance a loss will occur

c. a diversifiable risk

d. a contingency that increase the chance of loss

50. Which of the following statement is false?

a. risk averse people will pay an insurance premium that is greater than the mathematically fair chance of loss in order to relieve themselves of uncertainty

b. a risk seeker is willing to assume risk

c. the mathematically fair price for insurance is the objective risk for the insurer multiplied by the maximum possible loss

d. insurance is never mathematically faor trade because the insurer adds several operating and other costs to loss costs when it calculates the premium

ANSWER KEYS

1=B	2=B	3=A	4=B	5=C	6=B	7=A	8=B	9=B	10=A
11=D	12=C	13=C	14=C	15=C	16=B	17=B	18=B	19=C	20=C
21=C	22=C	23=D	24=A	25=B	26=B	27=B	28=D	29=C	30=B
31=A	32=B	33=B	34=D	35=C	36=A	37=A	38=B	39=A	40=D
41=A	42=D	43=A	44=B	45=A	46=D	47=D	48=B	49=A	50=D

UNIT-10

MARKETING MANAGEMENT

1. Labeling, packaging are associated with:

- a) Price mix **b) Product mix** c) Place mix d) Promotion mix

2. set(s) the floor for the price that the company can charge for its product.

- a) Supply b) Demand **c) Costs** d) Nonprofit factors

3. Companies facing the challenge of setting prices for the first time can choose between two broad strategies: market-penetration pricing and _.

- a. Market-level pricing b. Market-competitive pricing
c. Market-skimming pricing d. Market-price lining

4. In the maturity phase of the PLC, a marketing manager should consider:

- a. dropping the product and moving on to the next product winner.
b. Modifying the market, product, and marketing mix.
c. Expanding R & D.
d. Pricing to penetrate the market.

5. The stage of the PLC characterized by overcapacity, greater competition, and the eventual elimination of weaker competitors is called the:

- a. Decline stage. b. Introduction stage.
c. Growth stage. **d. Maturity stage.**

6. Which of the product is in the decline stage of PLC?

- a. HD TVs b. Tata Salt c. I- phone **d. Music CDs**

7. Which of the following is not a type of decision usually made during the product development stage?

- a. Branding** b. Product positioning
c. Packaging d. Product screening

8. All of the following are different ways a firm can obtain new products, **except** which one?

- a. By acquiring a whole new company
b. A firm can obtain a new product through patents
c. A firm can obtain a new product by licensing someone else's new product
d. A firm can obtain a new product by using the R&D department of other firms in the same industry.

9. Original products, product improvements, product modifications, and new brands that a firm develops through its own research and development efforts are called:

- a. new products.** b. concept products.
c. altered products. d. supplemental products.

10. To create successful new products, a company must understand consumers, markets, & competitors and:
- Develop a great advertising campaign.
 - Have a strong Web site to push the product.
 - Adopt a push rather than pull promotional concept.
 - Develop products that deliver superior value to consumers.**
11. is screening new-product ideas in order to spot good ideas and Drop poor ones as soon as possible:
- Idea generation
 - Concept development and testing
 - Idea screening**
 - Brainstorming
12. A is a detailed version of the idea stated in meaningful Consumer terms.
- Product idea
 - Product image
 - Product concept**
 - Product feature
13. If a company wishes to test its positioning strategy, advertising, distribution, pricing, branding and packaging, and budget levels, it can do so during which of the following stages of the new-product development process?
- Commercialization
 - Test marketing**
 - Product development
 - Concept testing
14. Sterilization packaging systems have an impact on:
- Instruments
 - Healthcare acquired infection
 - Healthcare costs
 - All of the above**
15. All of the following are accurate descriptions of reasons why new products fail, except which one?
- Although the market size was correctly estimated, the product idea itself was not good.**
 - The actual product was not designed as well as it should have been.
 - The new product was priced too high.
 - The new product was advertised poorly.
16. Which of the following is NOT a price adjustment strategy?
- Segmented pricing
 - Promotional pricing
 - Free samples**
 - Geographical pricing
17. Differentiation in pricing for various geographical customer
- Price skimming
 - Psychological pricing
 - Pricing variations
 - Geographical pricing**
18. When Pepsi came out with Pepsi Blue and priced it at half price to attract buyers they were using, Pepsi was using _ .
- Market-skimming pricing
 - Market-penetration pricing**
 - New-product pricing
 - Discount pricing
19. is a period of market acceptance and increasing profits.
- Product development
 - Maturity
 - Growth**
 - Introduction
20. begins when the company finds and develops a new-product idea. During product development, sales are zero and the company's investment costs mount.
- Introduction
 - Growth
 - Maturity
 - Product development**
21. Technological advances, shifts in consumer tastes, and increased competition, all of which reduce demand for a product, are typical of which stage in the PLC?

a. **Decline stage**

c. Growth stage

b. Introduction stage

d. Maturity stage

22. A „penetration pricing“ strategy will set an initially high price to „cream off“ as much revenue as possible from the early purchasers.

a. True

b. **False**

23. Original products, product improvements, product modifications, and new brands that a firm develops through its own research and development efforts are called:

a. **New products.**

b. Concept products.

c. Altered products.

d. Supplemental products.

24. As a product reaches its decline stage of the PLC, management may decide to the product, which means reducing various costs and hoping that sales hold up.

a. drop

b. **harvest**

c. cultivate

25. The stage in the product life cycle that focuses on using a cost-plus formula and creating product awareness and trial is the:

a. decline stage.

b. **introduction stage.**

c. Growth stage.

d. maturity stage.

26. The stage in the product life cycle where the strategic focus is on market penetration and building intensive distribution is the:

a. decline stage.

b. introduction stage.

c. **Growth stage.**

d. maturity stage

27. One of the challenges presented by the product life cycle for a product is that of new-product development.

a. **True**

b. False

28. One study found that the number one success factor for new-product introduction is a unique, superior product.

a. **True**

b. False

29. Idea screening is generally recognized to be the first step in the new-product development process.

a. True

b. **False**

30. In terms of the PLC, the growth stage is a period of rapid market acceptance and increasing profits.

a. **True**

b. False

31. If a company were to change characteristics of the product such as quality, features, or style, it would most likely do this in the maturity phase of the product life cycle.

a. **True**

b. False

32. Introducing the new product into the market takes place in which stage of the new product development process?

a. **commercialization**

b. Test marketing

c. Marketing strategy

d. Product development

33. Looking at the sales history of similar products and surveying market opinion are tools used at which stage in the new-product development process?

a. concept development and testing

b. commercialization

c. **Business analysis**

d. marketing strategy development

34. Presenting new-product ideas to consumers in symbolic or physical ways to measure their reactions occurs during which of the following stages?
- a. idea generation
 - b. concept testing**
 - c. marketing strategy
 - d. screening
35. A is a detailed version of the idea stated in meaningful consumer terms.
- a. product idea
 - b. product image
 - c. product concept**
 - d. product feature
36. One reason that idea screening is a critical stage in the new-product development process is that:
- a. Product-development costs rise greatly in later stages and the company only wants those products that can succeed.**
 - b. Competitors can quickly steal ideas so the company wants only those ideas that can be protected with patents.
 - c. International competition and markets demand that all ideas be culturally sensitive.
 - d. The Federal government carefully monitors each company's idea screening process to make sure no national security matters are at stake.
37. The systematic search for new-product ideas is characteristic of which stage in the new product development process?
- a. idea screening
 - b. concept development and testing
 - c. idea generation**
 - d. Business analysis
38. To achieve the marketing objectives for the brand and satisfy the desires of consumers, the and functional components of packaging must be chosen correctly.
- a. characters
 - b. logo
 - c. aesthetics**
 - d. brand name
39. A label performs several functions for a product. These include all of the following EXCEPT.
- a. grades
 - b. promotes
 - c. describes
 - d. classifies**
40. To be branded, physical products must be differentiated.
- a. True**
 - b. False
41. Packaging is all the activities of designing and producing the container for a product.
- a. True**
 - b. False
42. Packaging has been called the fifth "P" by marketers because it can be an element of product strategy.
- a. True**
 - b. False
43. Labels can identify the product and must contain legal statements that under various Federal laws cannot be misleading, false, or deceptive.
- a. True**
 - b. False
44. involves designing and producing the container or wrapper for a product.
- a. Packaging**
 - b. Product line

c. Service

d. Branding

45. Like New Products wants to improve its packaging after reading customer responses to its customer opinion poll. Which is not a function of packaging?

- a. Its purpose is to contain and protect the product.
- c. It protects children.

- b. It contains the brand mark.
- D) **It determines product quality.**

46. At the very least, the identifies the product or brand. It might also describe several things about the product.

- a. line extension
- b. social marketing
- c. **label**
- d. specialty product

47. Some analysts see as the major enduring asset of a company, outlasting the company"s specific products and facilities.

- a. **brands**
- b. convenience products
- c. specialty products
- d. unsought products

48. Chicken of the Sea brand tuna sells more than the same size Kroger brand tuna even though the Kroger tuna costs Rs.0.15 less per can. This is known as brand .

- a. extension
- b. **equity**
- c. specialty
- d. service

49. Branding assists buyers in numerous ways. Which of the following is not a direct consumer benefit derived from branding?

- a. Brand names raise awareness and increase consumer interest.
- b. Brand names increase shopper efficiency.
- c. Brand names convey product quality.
- d. **Branding enables suppliers to attract loyal and profitable set of customers.**

50. What elements constitute a brand?

- a. **Name, design, style, words or symbols, singly or collectively that distinguish one product from another.**
- b. Design, style, or symbols, singly or collectively that distinguish one product from another.
- c. Name, design, style, words or symbols that distinguish one product from another.
- d. Name, words or symbols, singly or collectively that distinguish one product from another.

51. At the introduction stage of the Product Life Cycle (PLC), which of the following are the marketer"s two main priorities?

- a. Launch planning and creating shelf space.
- b. **Generating awareness and stimulating responses.**
- c. Launch planning and generating awareness.
- d. Creating shelf space and generating awareness.

52. In the growth stage of a product life cycle which of the following statements are applicable?

- 1) There is a rapid increase in sales.
- 2) Effects of repeat purchasing are seen.
- 3) Increased competitor activity is found.
- 4) Profits begin to rise.
- 5) Good product management is required.

Options

- a. 1,2,3,4
- b. 1,3,4,5,

c. 1,2,3,4,5,

d. 1,2,3,5,

53. Which of the following is NOT a method of idea generation?

a. Morphological analysis.

b. Synthetics.

c. Synetics.

54. Launching a product in a small part of the market is called:

a. Competitive response.

b. Competitive analysis.

c. Test marketing

55. Starting with one or two areas and then adding new regions to the distribution area is called:

a. Rolling launch.

b. Sprinkler strategy.

c. Test marketing.

56. Which of the following is not a stage in the product life cycle?

a. Introduction.

b. Withdrawal.

c. Growth.

d. Maturity.

57. Of the following, which statement(s) would not support a market-skimming policy for a new product?

a. The product's quality and image support their higher prices

b. Enough buyers want the products at that price

c. Competitors are not able to undercut the high price

d. Competitors can enter the market easily

58. Choosing a price based upon its short-term effect on current profit, cash flow, or return on investment reflects which of the following pricing objectives?

a. current profit maximization

b. product quality leadership

c. market share leadership

d. survival

59. Pricing to cover variable costs and some fixed costs, as in the case of some automobile distributorships that sell below total costs, is typical of which of the following pricing objectives?

a. current profit maximization

b. product quality leadership

c. market share leadership

d. survival

60. If a company believes that the company with the largest market share will enjoy the lowest costs and highest long-run profits, that company will probably choose which of the following pricing objectives as their primary course of action?

a. current profit maximization

b. product quality leadership

c. market share leadership

d. survival

61. pricing is the approach of setting a low initial price in order to attract a large number of buyers quickly and win a large market share.

a. Market-skimming

b. Value-based

c. Market-penetration

d. Leader

62. Freight-absorption pricing is used for :

a. Services; installations

b. Market penetration; holding on to increasingly competitive markets

c. Market penetration; higher profit margins

d. holding on to increasingly competitive markets; higher profit margins

63. Pool Pak produces climate-control systems for large swimming pools. The company's customers are more concerned about service support for maintaining a system than its initial price. Pool Pak may use this knowledge to become more competitive through .

a. Value pricing

b. Target costing

c. Cost-plus pricing

d. Skimming pricing

64. Which of the following is not a price adjustment strategy?

a. Seasonal pricing

b. segmented pricing

c. Free samples**d. Geographical pricing**

65. Which of the following statements about break-even analysis is true?

- a. It is a technique marketers use to examine the relationship between supply and demand
- b. It is a technique used to calculate fixed costs

c. It is calculated using variable costs, the unit price, and fixed costs

- d. It determines the amount of retained earnings a company will have during an accounting period

66. Big Mike's Health Food Store sells nutritional energy-producing foods. The price of the products sold varies according to individual customer accounts and situations. For example, long-time customers receive discounts. This strategy is an example of .

a. Cost-plus pricing**b. Penetration pricing****c. Dynamic pricing****d. Everyday low pricing**

67. Which of the following is not an effective action that a company can take to combat a competitor's price cut on a product?

- a. Launch a low-price "fighter brand"
- c. Raise perceived value

b. Improve quality and increase price**d. Improve quality and decrease price**

68. Magic Box Company wants to provide better customer service while trimming distribution costs through teamwork, both inside the company and among all the marketing channel organizations. Magic Box is thinking of .

a. Disintermediation**b. Integrated logistics management****c. Customer relationship management****d. Vendor-managed inventory**

69. Company building its pricing strategy around the experience curve would be most likely to.

- a. Engage in break-even pricing
- c. Price its products high

b. Engage in value-added pricing**d. Price its products low**

70. Low-interest financing and longer warranties are both examples of .

- a. Allowances
- c. Discounts

b. Promotional pricing**d. Segmented pricing**

71. Typically producers who use captive-product pricing set the price of the main product and set on the supplies necessary to use the product.

- a. High; low markups
- c. Low; low markups

b. High; high markups**d. Low; high markups**

72. A car maker's strategy of advertising a basic vehicle model with few conveniences and comforts at a low price to entice buyers and then convincing customers to buy higher-priced models with more amenities is an example of which of the following?

- a. Captive product pricing
- c. Product line pricing

b. Optional product pricing**d. Segmented pricing**

73. While costs set the lower limit of prices, and set the upper limit.

a. Price and value**b. Interest rates and inflation****c. Market and demand****d. Supply and demand**

74. What is value-based pricing?

- a. **Companies base their prices on buyers' perceptions of value, not their own costs**
- b. Offering just the right combination of quality and good service at a fair price
- c. Companies set prices to make a target profit and to get some value for their production and marketing efforts
- d. Companies set prices to break-even on production and marketing costs

75. Price is a major factor affecting buyer choice that goes by many names, such as .

- a. Assessments, commissions, dues and fees
- b. Rent, salaries, tuition and wages
- c. Honoraria, interest, income taxes and premiums
- d. **All of the above**

76. Which of the following is not one of the general pricing approaches?

- a. Competition-based
- b. Cost-based
- c. Relationship pricing
- d. **Penetration pricing**

77. If an abattoir sold offal to a pet food manufacturer and hence reduced the costs of the final price of the meat to consumers, this would be an example of pricing strategy.

- a. Bundle
- b. **By-product**
- c. Optional
- d. Captive

78. Pricing products that must be used together with a main product is called _ product pricing.

- a. By-product
- b. Optional
- c. Bundle
- d. **Captive**

79. Price elasticity of demand means .

- a. **How much demand will change in response to a price change?**
- b. The higher the price, the lower the demand
- c. That demand changes greatly with a small increase in price
- d. That demand hardly changes with a small increase in price

80. Which of the following is not one of the product mix and service mix pricing strategies?

- a. Bundle
- b. By-product
- c. Product line
- d. **Complementary**

82. costs do not vary with production levels or sales levels.

- a. Total
- b. Variable
- c. **Fixed**
- d. All of the above

83. The objective of price can be:

- a. Profit
- b. Market share
- c. Cash Flow
- d. **All the above**
- e. None of the above

82. Mark up pricing is a pricing & geographical pricing is a .

- a. **Method, strategy**
- b. Strategy, method
- c. Process, policy
- d. Policy, process
- e. None of above

83. The three layers of packaging are:

- a. Primary, Secondary & tertiary packaging
- b. Primary, Secondary & shipping packaging**
- c. Shipping, inner & outer packaging
- d. None of above

84. Sales are declining, profits are also declining & competition is increasing. These indicate that the product may be in:

- a. Introduction stage
- b. Decline stage**
- c. Growth stage
- d. Maturity stage
- e. All of above

85. The term brand equity refers to:

- a. The value attached to the brand
- b. The financial value of a company's brand
- c. It's level of popularity
- d. All of above**

86. Companies can create brand equity for their products by making them .

- a. Memorable,
- b. Easily recognizable
- c. Superior in quality
- d. Reliability
- e. All of above**

87. A brand name is one of the elements of the:

- a. Discounted product
- b. Core benefit
- c. Augmented product
- d. Actual product**

88. Identify the commercialization decision which includes decisions regarding locality, region, nationally or even internationally launching the product.

- a. Why to launch the product?
- b. How to launch the product?
- c. Where to launch the product?**
- d. When to launch the product?

89. Which of the following is the leak-proof packaging that provides additional protection for the primary container?

- a. Primary packaging
- b. Secondary packaging
- c. Transport packaging**
- d. Decorative

90. Gift baskets are the example of which one of the following types of packaging?

- a. Decorative**
- b. Secondary
- c. Shipping
- d. Primary

91. The label on a pack of frozen peas says, 'packed within an hour of picking'. These words are used:

- a. To promote the product
- b. To satisfy legal requirements
- c. To provide information**
- d. To fulfill ethical requirement

92. Packaging used for the ice creams is an example of which of the following?

- a. Decorative packaging
- b. Transport packaging
- c. Secondary packaging
- d) Primary packaging**

93. Which of the following is a name, term, sign, symbol, design, or a combination of these, that identifies the product or service?

- a. Label
- b. Co-brand
- c. Brand**
- d. Product

94. The concept of price is central to:

- a. Administration
- b. Management
- c. Macroeconomics
- d. Microeconomics**

95. Which of the following marketing mix element generates revenue?

- a. Promotion
- b. Price**
- c. Place
- d. Product

96. ABC Company priced the product as of Rs. 19.99 instead of Rs.20. Which of the following pricing techniques is ABC Company using?

- a. Dodging pricing
- b. Deceptive pricing
- c. Premium pricing
- d. Psychological pricing**

97. To pay premium price for the product customers require:

- a. Allowance
- b. Flawless performance**
- c. Discounts
- d. High promotion,

98. Which of the following is NOT an objective of discounts?

- a. Reward valuable customers
- b. Reward competitors**
- c. Move out-of-date stock
- d. Increase short-term sales

99. 3/10 net 30 is an example of which of the following?

- a. Seasonal discount
- b. Trade discount
- c. Quantity discount
- d. Cash discount**

100. A company is providing warehousing facility to its channel members. The company is using which of the following?

- a. Seasonal discount**
- b. Trade discount
- c. Quantity discount
- d. Cash discount

101. To attract customers into stores, the store advertises its milk at a price less than cost, hoping that customers will purchase other groceries as well. Milk is acting as which of the following?

- a. Premium item
- b. On- sale item
- c. Discounted item**
- d. Loss leader

102. Many companies try to set a price that will maximize current profit. This strategy assumes that company has knowledge of it"s:

- a. Cost and production function
- b. Revenue and cost function
- c. Demand and market function
- d. Demand and cost function**

103. Which one of the following 4Ps of marketing mix involves in decisions regarding list prices, discounts, allowances and payment periods or credit terms?

- a. Product
- b. Price**

c. Place

d. Promotion

104. Identify the stage of product life cycle in which sales are at peak.

a. Introduction

b. Growth

c. Maturity

d. Decline

105. Which of the followings are considered defensive in nature?

a. Maturity and growth stage

b. Maturity and decline stage

c. Introduction and maturity stage

d. Introduction and growth stage

106. Standard Cable cut back advertising expenditures to minimum level and reduced the number of channel members for its industrial cable product. These actions are indicative of a product in which of the following stage of its life cycle?

a. Introduction

b. Growth

c. Maturity

d. Decline

107. Highest percentage of ideas for new products originates with/from which of the following sources?

a. Top management

b. Customers

c. Competitors

d. Employees

108. Which of the following are the people who purchase new products almost as soon as the products reach the market?

a. Innovators

b. Late majority

c. Early majority

d. Late adopters

109. Which of the following is NOT one of the stages that customers go through in the process of adopting a new product?

a. Desire

b. Awareness

c. Evaluation

d. Interest

110. Using one brand name for several related products is known as which of the following?

a. Family branding

b. Group branding

c. Combination branding

d. Premium branding

111. Which of the following price is quoted to a potential buyer, usually in written form?

a. Wholesale price

b. Market price

c. List price

d. Retail price

112. Mr. A, marketer of XYZ Co. is selling his ice-cream in the market at Rs.20, 20% more than his competitors' price. Still his sales are increasing. Now his aim is to maintain same pricing. He enjoys which type of leadership?

a. Promotion leadership

b. Price leadership

c. Cost leadership

d. Product leadership

113. Market-penetration pricing will likely to be used most in selling which of the following items?

a. Specialty

b. Convenience

c. Unsought

d. Pharmaceuticals

114. Customer cost will be considered as which of the following Ps of marketing mix?

a. Product

b. Price

c. Place

d. Promotion

115. Suppose Nestle wants to expand its line of food products. The managers conduct surveys from customers to determine which food items would appeal to customers. Nestle is currently in which of the following phase of new product development?

a. Idea generation

b. Idea screening

c. Test marketing

d. Business analysis

116. Which of the following stage of product life cycle is most expensive?

a. Introduction

b. Growth

c. Maturity

d. Decline

117. All of the following are true about price EXCEPT:

a. Price is independent of the other elements of the marketing mix

b. Price is the monetary value of a product

c. Price is most flexible tool in the marketing mix

d. Price is marketing mix element which produces revenue

118. Which of the following is price reduction offered when an order is placed in slack/drooping period?

a. Cash discount

b. Trade discount

c. Quantity discount

d. Seasonal discount

119. Surf Excel was named to take the benefit of the existing brand value of Surf. This strategy can be classified as strategy.

a. Brand growth

b. Brand extension

c. Branding

d. Brand level

120. Though "Pizza Huts" are located in posh, air-conditioning premises, they continue to call themselves as "Pizza Huts". This is to take advantage of

a. Local sentiment of wanting to eat in huts

b. Brand value

c. Brand recognition

d. Brand extension

121. A is an elaborated version of the idea expressed in consumer terms.

a. test brand

b. product concept

c. product idea

d. new idea

122. Gillette Venus Embrace can best be described as , rather than either a repositioning or a new-to-the-world product.

a. Improvements and revisions of existing products

b. new product lines

c. additions to existing product lines

d. cost reductions product

e. adaptations

123. In , consumers who initially try the product at no cost are reoffered the product, or a competitors' product, at slightly reduced prices.

- a. simulated test marketing
- b. commercialization
- c. sales-wave research**
- d. controlled test marketing

124. calls for finding 30 to 40 qualified shoppers and questioning them about brand familiarity and preferences in a specific product category.

- a. Sales-wave research
- b. Focus group research
- c. Controlled test marketing
- d. Simulated test marketing**

125. The ultimate way to test a new consumer product is to put it into full-blown .

- a. test markets**
- b. screening
- c. sales-wave research
- d. controlled test marketing

126. Your firm has chosen a few representative cities, and the sales force tries to sell the trade on carrying the product and giving it good shelf exposure. The company puts on a full advertising and promotion campaign. Total costs exceed Rs.1 million. Your firm has decided to conduct a .

- a. business analysis.
- b. commercialization.
- c. test market**
- d. controlled test market.

127. **NPD** stands for:

- a. New Product Department.
- b. National Production Division.
- c. New Product Development.**
- D. none of the above

128. Providing a description of a product and its attributes and inviting comment from consumers is called:

- a. Attribute testing.
- b. Market testing
- c. Concept testing.**

129. What are the two ways that a company can obtain new products?

- a. new-product development and acquisition**
- b. market mix modification and research and development internal development and merger
- c. line extension and brand management
- d. service development and product extension

130. Which of the following is not a potential cause of the failure of a new product? an incorrectly positioned product

- a. An underestimated market size**
- b. ineffective advertising
- c. higher than anticipated costs of product development a poorly designed product

131. The creation of a successful new product depends on a company's understanding of its and its ability to deliver to customers. product life cycle, legal responsibilities, and social responsibilities; innovations competitors,

- a. distributors, and employees;
- b. new styles product, marketing mix, and marketing strategy;
- c. functional features customers, brands, products;
- d. customers, competitors, and markets; superior value**

132. Executives, manufacturing employees, and salespeople are all examples of . core members of innovation management systems

- a. internal sources for new-product ideas**
- b. research and development team members
- c. external sources for new-product ideas

133. Your firm wants to use external sources for new product ideas. After consulting with a friend you learn that all of the following are common external sources except .

- a. competitors suppliers trade
- b. shows and magazines
- c. the firm's executives**
- d. customers

134. ABC has just brainstormed a large number of ideas for adding new products and services after visiting several buying fairs. The owners will begin the first idea-reducing stage, called , to arrive at a realistic number to adopt.

- a. idea generation
- b. concept development
- c. product concept
- d. idea screening**

135. In the concept testing stage of new-product development, a product concept in form is presented to groups of target consumers.

- a. final commercial
- b. prototype
- c. physical or symbolic**
- d. market- tested

136. After concept testing, a firm would engage in which stage in developing and marketing a new product?

- a. marketing strategy development**
- b. idea screening
- c. product development test marketing
- d. business analysis

137. During which stage of new-product development is management most likely to estimate minimum and maximum sales to assess the range of risk in launching a new product?

- a. marketing strategy development
- b. business analysis**
- c. test marketing
- d. concept testing

138. In the stage of new-product development, products often undergo rigorous tests to make sure that they perform safely and effectively or that consumers will find value in them.

- a. concept development and testing
- b. product development**
- c. business analysis idea generation
- d. marketing mix

139. Under what circumstances might it be wise for a company to do little or no test marketing?

- a. When management is not sure of the marketing program.
- b. When the costs of developing and introducing the product are low.**
- c. When the product has no substitutes and is new in its category.
- d. When management is not sure of the product.

140. The major purpose of test marketing is to provide management with the information needed to make a final decision about .

- a. whether to launch the new product**
- b. which market to compete in how to
- c. develop a market strategy
- d. how long to compete in the market

141. Which of the following costs is most likely associated with the commercialization stage of new-product development?

- a. paying groups of target consumers for product feedback
- b. developing a prototype of the product identifying
- c. target markets

d. building or renting a manufacturing facility

142. Which of the following is necessary for successful new-product development?

- a. a market pioneer mindset and a holistic approach

b. a customer- centered, team-based, systematic approach

- c. an innovation management system and sequential product development
- d. a team-based, innovation-management approach a holistic and sequential product development approach

143. Increasing profits will most likely occur at which stage of the PLC?

- a. Introduction

b. Growth

- c. Maturity

- d. Decline

145. Which of the following cannot be described by the PLC concept?

- a. product form

- b. style

c. product image

- d. brand

146. The PLC concept can be applied by marketers as a useful framework for describing how.

- a. Product ideas are developed

b. Products and markets work

- c. To develop marketing strategies

- d. Concept testing is conducted

147. In the stage, the firm faces a trade-off between high market share and high current profit.

- a. maturity

- b. Introduction

c. Growth

- d. Decline

148. In which stage of the PLC will promotional expenditures be high in an attempt to react to increasing competition?

- a. decline

- b. maturity

- c. Introduction

d. Growth

149.. Which stage in the PLC normally lasts longer and poses strong challenges to the marketing managers?

- a. decline

b. maturity

- c. Introduction

- d. Growth

150. Most products in the marketplace are in the stage of the product life cycle.

a. maturity

- b. decline

- c. Introduction

- d. Growth

151. Sales decline in the decline stage of the PLC because of technological advances, increased competition, and .

- a. shifts in the economy

b. shifts in consumer tastes and preferences

- c. new market pioneers shifts in unemployment marketing

- d. mix modifications

152. A manufacturer with a product in the decline stage of the product life cycle might decide to if it has reason to hope that competitors will leave the industry.

- a. harvest the product

b. maintain the product without change

c. drop the product search for replacements

153. Mattel's Barbie is an example of an age-defying product. Barbie, simultaneously timeless and trendy, is in the stage of the PLC.

- a. Growth
- b. Introduction
- c. Maturity**
- d. Decline

154. Schmidt Steel Corporation lacks the confidence, capital, and capacity to launch its new steel product into full national or international distribution. Even though test market results look promising, what will be management's next step?

- a. seek the help of a nationally known consultant retest the product in additional markets
- b. secure a loan to provide confidence, capital, and capacity
- c. develop a prototype
- d. develop a planned market rollout over time**

155. A company getting ready to launch a new product must make several decisions. However, the company must first decide on .

- a. whether to launch the product in a single location
- b. whether to launch the product in a region
- c. whether to launch the product into full national or international distribution
- d. timing of the new product introduction**

156. Marketers need to position their brands clearly in target customers' minds. The strongest brands go beyond attributes or benefit positioning. On which of the following basis the products are positioned?

- a. Desirable benefit
- b. Good packaging**
- c. Strong beliefs and values
- d. Customer image

157. The purpose of idea generation is to create a _ of ideas. The purpose of succeeding stages is to that number.

- a. Small number; reduce
- b. Small number; increase
- c. Large number; increase
- d. Large number; reduce**

158. During which phases of the product life cycle are costs thought to be low on a per customer basis?

- a. Maturity and Decline.**
- b. Growth and Maturity.
- c. Product Development and Introduction.
- d. Introduction and Growth.

159. During which stage of the product life cycle does the company attempt to maximize market share?

- a. Introduction
- b. Decline
- c. Growth**
- d. Maturity

160. During which stage of the product life cycle does a company seek to build selective distribution?

- a. Introduction**
- b. Decline
- c. Growth
- d. Maturity

MCQs OF MARKETING

1. Good marketing is no accident, but a result of careful planning and .

- a. execution**
- b. selling

- c. strategies d. research

2. Marketing management is .

- a. managing the marketing process
- b. Monitoring the profitability of the company's products and services
- c. The art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value**
- d. Developing marketing strategies to move the company forward

3. Chimney Sweeps employs people to clean fire places and chimneys in homes and apartments. The firm is primarily the marketer of which one of the following?

- a. An image
c. A good
- b. A service**
d. An idea

4. Marketers often use the term to cover various groupings of customers.

- a. People
- b. buying power
- c. Demographic segment
- d. Market**

5. The concept holds that consumers and businesses, if left alone, will ordinarily not buy enough of the organization's products.

- a. Production
- b. selling
- c. marketing
- d. Holistic marketing

6. Which of the following would be the best illustration of a subculture?

- a. A religion.
b. A group of close friends.
c. Your university.
d. Your occupation.

7. The buying process starts when the buyer recognizes a .

- a. Product
b. an advertisement for the product
c. a salesperson from a previous visit
d. **problem or need**

8. If actual performance exceeds the expected performance of the product, Then customer is

- a. Satisfied
c. **Delighted**
- b. Dissatisfied
d. Neutral

9. Bread and milk are which kind of products?

- a. Specialty Products
- b. Convenience products
- c. Shopping products
- d. Unsought products

10. Parents buy toys for their children act as in the buying process.

- a. Decider
b. Buyer
c. Maintainer
d. All of the above

11. If a firm is practicing, the firm is training and effectively motivating its customer-contact employees and all of the supporting service people to work as a team to provide customer satisfaction.

- a. double-up marketing b. interactive marketing

c. service marketing

d. internal marketing

12. A cluster of complementary goods and services across diverse set of industries is called as

a. Market place

b. Meta market

c. Market space

d. Resource Market

13. Adding new features to a product is advocated by which of the approaches?

a. Product Approach

b. Production Approach

c. Marketing Approach

d. Selling Approach

14. One of the key tasks of marketers is and to create consumer perceptions that the product is worth purchasing.

a. To make products easily visible and available

b. To promote sales of products

c. To differentiate their products from those of competitors

d. To do marketing surveys

15. What is the last stage of the consumer decision process?

a. problem recognition

b. post purchase behavior

c. alternative evaluation

d. purchase

16. markets are made up of members of the distribution chain.

a. Consumer

b. Business-to-business (industrial)

c. Channel

d. Institutional

17. Which of the following is considered a "key player" in the marketing industry?

a. marketer

b. suppliers or vendors

c. distributors or retailers

d. all of the above

18. Marketing Mix is the most visible part of the marketing strategy of an organization.

a. True

b. False

19. Businesses spend most of their advertising rupees on business-to-business markets.

a. True

b. False

20. A transaction in which the organization is making an initial purchase of an item to be used to perform a new job refers to which of the following purchases?

a. Straight rebuy purchase

b. Delayed purchase

c. New-task purchase

d. Modified rebuy purchase

21. markets include a wide variety of profit and nonprofit organizations, such as hospitals, government agencies, and schools, which provide goods and services for the benefit of society.

a. Consumer

b. Business-to-business (Industrial)

c. Reseller

d. Institutional

22. Which of the following is NOT considered a type of reseller?

- a. wholesaler
- b. retailer
- c. **manufacturer**
- d. distributor

23. The promotion "P" of marketing is also known as .

- a. Product Differentiation
- b. Distribution
- c. Cost
- d. **Marketing Communication**

24. When a company distributes its products through a channel structure that includes one or more resellers, this is known as .

- a. **Indirect marketing**
- b. direct marketing
- c. multi-level marketing
- d. integrated marketing

25. In marketing theory, every contribution from the supply chain adds to the product.

- a. **value**
- b. costs
- c. convenience
- d. ingredients

26. Institutional markets consist of people who buy products and services for personal use.

- a. True
- b. **False**

27. Listing alternatives that will solve the problem at hand and determining the characteristics of each occurs during which stage of the final consumer's decision process?

- a. Information search
- b. Purchase
- c. **Evaluation of alternatives**
- d. Post purchase

28. The act of trading a desired product or service to receive something of value in return is known as which key concept in marketing?

- a. product
- b. **exchange**
- c. production
- d. customer

29. The most basic level of a product is called the:

- a. **core product.**
- b. central product.
- c. fundamental product.
- d. augmented product.

30. Anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need is called a(n):

- a. idea.
- b. demand.
- c. **product.**
- d. service.

31. In consumers may share a strong need that cannot be satisfied by an existing product.

- a. negative demand
- b. **latent demand**
- c. declining demand
- d. irregular demand

32. Marketing is both an "art" and a "science" there is constant tension between the formulated side of marketing and the side.

- a. **creative**
- b. selling

- c. management d. behavior

33. Mr. Lopez buys goods and services for use in the production of products that are sold and supplied to others. Mr. Lopez is involved in .

- a. consumer buying behavior b. post-purchase dissonance
c. retail buyer behavior d. **business buyer behavior**

34. The four unique elements to services include:

- a. Independence, intangibility, inventory, and inception
b. Independence, increase, inventory, and intangibility
c. **Intangibility, inconsistency, inseparability, and inventory**
d. Intangibility, independence, inseparability, and inventory

35. Convenience products usually have intensive distribution because sales of these products tend to have a direct relationship to availability.

- a. **True** b. False

36. The holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's wellbeing.

- a. customer-centered business b. focused business model
c. **societal marketing concept** d. ethically responsible marketing

37. A change in an individual's behavior prompted by information and experience refers to which one of the following concept?

- a. **Learning** b. Role selection
c. Perception d. Motivation

38. Holistic marketers achieve profitable growth by expanding customer share, , and capturing customer lifetime value.

- a. undermining competitive competencies b. **building customer loyalty**
c. milking the market for product desires d. renewing a customer base

39. pricing is the approach of setting a low initial price in order to attract a large number of buyers quickly and win a large market share.

- a. Market-skimming b. Value-based
c. **Market-penetration** d. Leader

40. While buying milk which kind of behaviour is displayed by a person?

- a. Extensive problem solving behavior b. **Routinized buying behaviour**
c. Variety seeking behavior d. None of the above

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d. ethically responsible marketing

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60. While buying milk which kind of behaviour is displayed by a person?

a. Extensive problem solving behavior

b. Routinized buying behaviour

c. Variety seeking behavior

d. None of the above

61. Whether to sell via intermediaries or directly to consumers, how many outlets to sell through, and whether to control or cooperate with other channel members are examples of decisions marketers must make about

a. Promotion

b. Price

c. Distribution

d. Product

62. The extended Ps of service marketing mix are :

- a. People, Product, Place
- b. Price Physical Evidence, Promotion
- c. Physical Environment, Process, People**
- d. Product, Process, Physical Environment

63. A social and managerial process by which individuals and organizations obtain what they need and want through value creation refers to which one of the following concepts?

- a. Selling
- b. Advertising
- c. Barter
- d. Marketing**

64. What is the basic property of a service which makes it different from a product.

- a. Shape
- b. Size
- c. Very expensive
- d. Intangibility**

65. Which one of the following phrases reflects the marketing concept?

- a. The supplier is a king in the market
- b. Marketing should be viewed as hunting not gardening
- c. This is what I make, won't you please buy it?
- d. This is what I want, won't you please make it?**

66. The task of any business is to deliver at a profit.

- a. customer needs
- b. customer value**
- c. products and services
- d. improved quality

67. The solution to price competition is to develop a differentiated:

- a. product, price, and promotion.
- b. offer, delivery, and image.**
- c. package and label.
- d. international Web site.

68. Red Cross blood donations are considered to be specialty products and, therefore, have a specialty offer to the consumer.

- a. True
- b. False**

69. You purchase cleaning supplies for your custodial help regularly. It is showing which buying situation?

- a. Modified rebuy
- b. Straight rebuy**
- c. Modified straight rebuy
- d. Consumer buy

70. Internal marketing is marketing by a service firm to train and effectively motivate its customer contact employees and all the supporting service people to work as a team to provide customer satisfaction.

- a. True**
- b. False

71. Customer's evaluation of the difference between all the benefits and all the costs of a marketing offer relative to those of competing offers refers to which of the following options?

- a. Customer perceived value
- b. Marketing myopia
- c. Customer relationship management
- d. Customer satisfaction**

72. Buying goods and services for further processing or for use in the production process refers to which of the following markets?
- a. Consumer markets
 - b. Government markets
 - c. Business markets**
 - d. International markets
73. The packaging concept states what the package should be or do for the product.
- a. True**
 - b. False
74. Marketing managers should adapt the marketing mix to constantly monitor value changes and differences in both domestic and global markets.
- a. Sales strategies
 - b. Marketing concepts
 - c. Cultural values**
 - d. Brand images
75. Resellers may actually take ownership of the product and participate in the marketing, including the advertising.
- a. True**
 - b. False
76. The materials and ingredients used in producing the product are obtained from other companies who are referred to as distributors.
- a. True
 - b. False**
77. The refers to the various companies that are involved in moving a product from its manufacturer into the hands of its buyer.
- a. distribution chain**
 - b. network chain
 - c. supply chain
 - d. promotion network
78. is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants.
- a. Target marketing
 - b. Psychographic segmentation
 - c. Product Differentiation
 - d. Consumer behavior**
79. A person's consist(s) of all the groups that have a direct (face-to-face) or indirect influence on his/her attitudes or behavior.
- a. culture
 - b. subculture
 - c. psychographics
 - d. reference groups**
 - e. demographics
80. Product choice is greatly affected by economic circumstances. All of the following would be among those circumstances EXCEPT .
- a. spendable income
 - b. savings and assets
 - c. debts
 - d. occupation**
 - e. borrowing power
81. is a set of distinguishing human psychological traits that lead to relatively consistent and enduring responses to environmental stimuli.
- a. Image
 - b. Personality**
 - c. Beliefs
 - d. Heredity

e. Culture

82. portrays the “whole person” interacting with his or her environment.

- a. Attitude
- b. Reference group
- c. Lifestyle**
- d. Culture
- e. Subculture

83. A when it is aroused to a sufficient level of intensity.

- a. need becomes a motive**
- b. motive becomes a need
- c. desire becomes a reality
- d. unfulfilled demand becomes a crisis
- e. personal demand exceeds the ability to rationally reject

84. The five-stage model of the consumer buying process includes all of the following stages EXCEPT

- a. problem recognition
- b. information search
- c. social interaction**
- d. purchase decision

85. If performance meets consumer expectations, the consumer is _.

- a. delighted
- b. satisfied**
- c. disappointed
- d. surprised.

86. The primary purpose of marketing activities is to facilitate and encourage exchange transactions with potential customers.

- a. True**
- b. False

87. Merchant wholesalers sell goods and services directly to final consumers for their personal, non business use.

- a. True
- b. False**

88. A service can be defined as “any activity or benefit that one party can offer another that is essentially intangible and that does not result in the ownership of anything.”

- a. True**
- b. False

89. The intangible nature of many services can create unique challenges for marketers.

- a. True**
- b. False

90. Auction sites, such as eBay, QXL are examples of Consumer-to-Consumer (C2C) channels.

- a. True**
- b. False

91. Product planners need to think about products and services on three levels. Each level adds more customer value. Which one of the following is the most basic level that addresses the question, “What is the buyer really buying?”

- a. Actual product
- b. Augmented product
- c. Core benefit**
- d. Co-branding

92. The mental act, condition or habit of placing trust or confidence in another shows which of the following options?

- a. Motive
- b. Belief
- c. Behavior
- d. Attitude

93. How do consumers respond to various marketing efforts the company might use? What is a starting point of a buyer's behavior?

- a. Belief
- b. Subculture
- c. Post purchase feeling
- d. Stimulus-response Model

94. Which one of the following factor relates to family that influences consumer behavior?

- a. Cultural
- b. Social
- c. Personal
- d. Business

95. Unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment refers to which one of the following?

- a. Belief
- b. Culture
- c. Personality
- d. Self-awareness

96. Which one of the following statements by a company chairman BEST reflects the marketing concept?

- a. We have organized our business to satisfy the customer needs
- b. We believe that marketing department must organize to sell what we produce
- c. We try to produce only high quality, technically efficient products
- d. We try to encourage company growth in the market

97. Which one of the following is a key to build lasting relationships with consumers?

- a. Price of the product
- b. Need recognition
- c. Customer satisfaction
- d. Quality of product

98. The factors such as the buyer's age, life-cycle stage, occupation, economic situation, lifestyle, personality and self-concept that influences buyer's decisions refers to which one of the following characteristic?

- a. Personal characteristics
- b. Psychological characteristics
- c. Behavioral characteristics
- d. Demographical characteristics

99. A is someone seeking a response (attention, a purchase, a vote, a donation) from another party, called the .

- a. salesperson, customer
- b. politician, voter
- c. marketer, prospect
- d. celebrity, audience

100. Companies selling mass consumer goods and services such as soft drinks, cosmetics, air travel, and athletic shoes and equipment spend a great deal of time trying to establish a superior brand image in markets called:.

- a. business markets
- b. global markets
- c. consumer markets
- d. nonprofit and governmental markets
- e. service markets

101. The is practiced most aggressively with unsought goods, goods that buyers normally do not think of buying, such as insurance, encyclopedias, and funeral plots.

- a. marketing concept
- b. **selling concept**
- c. production concept
- d. product concept
- e. holistic marketing concept

102. The concept holds that consumers will favor those products that offer the most quality, performance, or innovative features.

- a. **product**
- b. marketing
- c. production
- d. selling
- e. holistic marketing

103. . marketing has the aim of building mutually satisfying long-term relations with key parties such as customers, suppliers, distributors, and other marketing partners in order to earn and retain their business.

- a. Holistic
- b. Demand-based
- c. **Direct Relationship**
- d. Synthetic

104. One traditional depiction of marketing activities is in terms of the marketing mix or four Ps. The four Ps are characterized as being .

- a. product, positioning, place, and price
- b. product, production, price, and place
- c. promotion, place, positioning, and price
- d. place, promotion, production, and positioning
- e. **product, price, promotion, and place**

105. David Packard of Hewlett-Packard once said, "Marketing is far too important to leave to ."

- a. uninformed managers
- b. novices
- c. the CEO
- d. **the marketing department**

106. The traditional view of marketing is that the firm makes something and then it.

- a. markets
- b. **sells**
- c. distributes
- d. prices
- e. services

107. is the single factor that best indicates social class.

- a. Time
- b. Money
- c. **Occupation**
- d. Fashion

108. Marketing strategies are often designed to influence and lead to

- a. profitable exchanges.
- b. **Consumer decision making**
- c. Sales strategies
- d. Advertising strategies
- e. Export strategies

109. refers to the information a consumer has stored in their memory about a

- a. product or service.
- b. Cognitive dissonance
- c. **Product knowledge**
- d. Product research
- e. Marketing research

110. When consumers are seeking low-involvement products, they are unlikely to engage in extensive search, so is important.

- a. Order processing
- b. Order booking
- c. Ready availability
- d. Information about warranty

111. constitutes moderate consumer behavior, but still involves time and effort searching for and comparing alternatives.

- a. Limited decision making
- b. Need recognition
- c. Routine decision making
- d. Post purchase evaluation

112. Experimental sources of information for consumers refer to .

- a. Advertising, marketing, selling, and profit making
- b. Handling, examining, and trying the product while shopping
- c. Buying after a demonstration
- d. Buying the product directly from a manufacturer

113. Which of the following is NOT one of the four philosophies of marketing?

- a. production orientation
- b. societal marketing orientation
- c. sales orientation
- d. promotion orientation

114. Of the four competing philosophies, the Furniture Industry is an example of what kind of orientation:

- a. Sales Orientation
- b. Societal Marketing Orientation
- c. Marketing Orientation
- d. Production Orientation

115. Marketing is defined by the American Marketing Association as the activity, set of institutions, and processes for , , and offerings that have value for customers, clients, partners, and society at large.

- a. Making, Arranging, Maintaining and Selling
- b. Creating, Communicating, Delivering, and Exchanging
- c. Creating, Advertising, Selling, and Transferring
- d. Performing, Displaying, Offering, and Exchanging

116. The focus of marketing today is .

- a. Value and Satisfaction
- b. Quality and Long Term Relationships
- c. All of the Above
- d. None of the Above

117. Which of the following firms emphasizes on product's benefits to the customers rather product attributes?

- a. Product oriented
- b. Market oriented
- c. Sales oriented
- d. Production oriented

118. Products that are usually purchased due to adversity and high promotional back up rather than desire are called:

- a. Sought goods
- b. Unique goods
- c. Unsought goods
- d. Preferred goods

119. Which product is MOST likely to be purchased through routine decision making?

- a. Television set
- b. Soft drink
- c. Shirt
- d. Car

120. Luxury products, such as Rolex watches, are also known as:

- a. Shopping product
- b. Convenience product
- c. Emergency product
- d. Specialty product

121. Which of the following is NOT included as a basic idea in the definition of marketing concepts?

- a. Total company effort
- b. Profit
- c. Productivity
- d. Customer satisfaction

122. Which of the following is the most recent stage of marketing evolution?

- a. Marketing department era
- b. Production era
- c. Sales era
- d. Marketing company era

123. Which of the following is NOT included as a basic idea in the definition of marketing concepts?

- a. Total company effort
- b. Profit
- c. Productivity
- d. Customer satisfaction

124. is defined as the difference between the benefits a customer sees from a market offering and the costs of obtaining those benefits.

- a. Customer value
- b. Satisfaction scale
- c. Profit margin
- d. Competitive benefit

125. Which of the following is NOT included in the marketing management process used by the marketing manager to achieve its objectives?

- a. Planning marketing activities
- b. Raising funds to finance the marketing projects
- c. Controlling marketing plans
- d. Directing implementation of the marketing plans

126. A channel of distribution is any series of firms (or individuals) who participate in the flow of products to final user or customer.

- a. True
- b. False.

127. is defined as communication with large numbers of customers at the same time.

- a. Personal selling
- b. Sales promotion
- c. Mass selling
- d. All of the above

128. The marketing concept applies to production firms, but not to service industries.

- a. True
- b. False

129. In a orientation, the role of marketing research is to determine customer needs and how well the company is satisfying them.

- a. Marketing
- b. Production
- c. Both of the above
- d. None of the above

130. The marketing concept means that an organization aims the majority of its efforts at satisfying customers, at a profit.
a. True **b. False**
131. When a manager focuses on making whatever products are easy to produce, and then trying to sell them, that manager has a orientation.
a. Marketing **b. Production**
c. Sales d. Profit
132. Which of the following is NOT consistent with a manager having a marketing orientation?
a. Inventory levels are set with customer requirements and costs in mind
b. Customer relationship focuses on customer satisfaction before and after sale, leading to a profitable long-run relationship
c. Focus of advertising is on product features and how products are made
d. Packaging is designed for customer convenience and as a selling tool
133. Often, the best way to improve customer value, and beat the competition, is to be first to satisfy a need that others have not even considered.
a. True **b. False**
134. It is more costly to retain current customers by satisfying their needs, than to get new customers by taking them away from a competitor.
a. True **b. False**
135. In addition to businesses, the marketing concept is also applicable to .
a. Government agencies b. Religious groups
c. Fine arts organizations **d. All of the above**
136. The controllable variables a company puts together to satisfy a target group is called the.
a. Marketing strategy **b. Marketing mix**
c. Strategic planning d. Marketing concept
137. In order for exchange to occur:
a. a complex societal system must be involved.
b. organized marketing activities must also occur.
c. a profit-oriented organization must be involved.
d. each party must have something of value to the other party.
138. Four competing philosophies strongly influence the role of marketing and marketing activities within an organization. Which if the following is not a component of market orientation?
a. Customer orientation. **b. Profitability orientation.**
c. Marketing orientation. d. Competitor orientation.
139. A market orientation recognizes that:
a. price is the most important variable for customers.
b. market intelligence relating to current and future customer needs is important.
c. selling and marketing are essentially the same thing.

d. sales depend predominantly on an aggressive sales force.

140. When customer expectations regarding product quality, service quality, and value-based price are met or exceeded, is created.

- a. **customer satisfaction**
- b. planning excellence
- c. a quality rift
- d. a value line

141. A critical marketing perspective is the process of determining:

- a. the value of a product, person, or idea.
- b. how places compete with each other.
- c. **the worth and impact of marketing activities.**
- d. which type of promotional strategy works best.

142. The way in which the product is delivered to meet the customers' needs refers to:

- a. new product concepts and improvements.
- b. selling.
- c. advertising and promotion activities.
- d. **place or distribution activities.**

143. The term 'marketing mix' describes:

- a. a composite analysis of all environmental factors inside and outside the firm.
- b. a series of business decisions that aid in selling a product.
- c. the relationship between a firm's marketing strengths and its business weaknesses.
- d. **a blending of strategic elements to satisfy specific target markets.**

144. Newsletters, catalogues, and invitations to organisation-sponsored events are most closely associated with the marketing mix activity of:

- a. Pricing
- b. Distribution
- c. Product development
- d. **Promotion**

145. Which of the following is not an element of the marketing mix?

- a. Distribution.
- b. Product.
- c. **Target market.**
- d. Pricing.

146. In relationship marketing firms focus on relationships with .

- a. short-term; customers and suppliers
- b. **long-term; customers and suppliers**
- c. short-term; customers
- d. long-term; customers

147. A further 3Ps are incorporated into the marketing mix:

- a. physical evidence, process and price.
- b. process people and promotion.
- c. physical evidence, people and production.
- d. **physical evidence, process and people.**

148. A marketing philosophy summarized by the phrase 'a stronger focus on social and ethical concerns in marketing' is characteristic of the period.

- a. production
- b. sales
- c. marketing
- d. **societal marketing**

149. Which of the following statements is correct?

- a. Marketing is the term used to refer only to the sales function within a firm.
- b. Marketing managers don't usually get involved in production or distribution decisions.

c. Marketing is an activity that considers only the needs of the organization; not the needs of society as a whole.

d. Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

150. The term marketing refers to:

a. new product concepts and improvements.

b. advertising and promotion activities.

c. a philosophy that stresses customer value and satisfaction.

d. planning sales campaigns.

151. Which of the following involves designing and manufacturing the container or wrapper for a product?

a. Labeling

b. Packaging

c. Branding

d. Product line

152. The basic role of promotion is .

a. Information

b. Manipulation

c. Communication

d. Interpretation

153. If the aim of the promotion to introduce a new consumer product is to achieve high awareness levels, the firm will most likely make heavy use of in the promotional mix.

a. Advertising

b. Sales promotion

c. Personal selling

d. Publicity

154. A consumer contest is an example of .

a. Personal selling

b. Sales promotion

c. Advertising

d. Indirect selling

155. Advertising appropriations are largest for which type of product?

a. Industrial products

b. Convenience goods

c. High-priced products

d. Specialty goods

156. A television advertisement showing the safety features of the Volvo 240 DL would be best classified as which of the following?

a. Product advertising

b. Pioneer advertising

c. Defensive advertising

d. Societal marketing

157. Need becomes when they are directed towards a specific object.

a. actual need

b. Want

c. Satisfaction

d. Demand

158. Which of the following BEST describes the consumer's preference for products that are widely available to them?

a. Production concept

b. Marketing concept

c. Selling concept

d. Product concept

159. Buying and selling of mass consumer goods and services comes under which of the following markets?

- a. Business markets
- b. Global markets
- c. **Consumer markets**
- d. Government markets

160. Which one of the following BEST describes the human need?

- a. **Food**
- b. French-fries
- c. Burger
- d. Pizza

161. Which of the following firms emphasis on product's benefits to the customers rather than on

- a. product attributes.
- b. Product oriented
- c. **Market oriented**
- d. Sales oriented
- e. Production oriented

162. All of the following are the examples of unsought goods EXCEPT:

- a. **Course books**
- b. Encyclopedia
- c. Funeral plots
- d. Insurance policy
- e. Unsought Goods

163. While considering the place for a product which of the following is important for customer.

- a. Communication
- b. **Convenience**
- c. Cost
- d. Solution

164. Market -oriented firms focus on:

- a. Retailers
- b. Distributors
- c. **Customers**
- d. Wholesalers

165. Price is the only element in the marketing mix that produces:

- a. Fixed cost
- b. Expense
- c. Variable cost
- d. **Revenue**

166. Identify the products that the customer usually buys frequently and with a minimum of comparison and buying effort.

- a. Specialty
- b. **Convenience**
- c. Unsought
- d. Augmented

167. Which of the following is NOT included in product decisions?

- a. Styling
- b. Brand name
- c. **Warehousing**
- d. Packaging

168. Which of the following takes place at retailer's end?

- a. Promotion
- b. Placing
- c. Pricing
- d. **Exchange**

169. Aggressive selling is a characteristic of which of the following concept of marketing? Select correct option:

- a. Production concept
- b. Marketing concept

c. Selling concept**d. Product concept**

170. Which of the following is a name, term, sign, symbol, design, or a combination of these, that identifies that maker or seller of a product or service?

- a. Label
- b. Co-brand
- c. Brand**
- d. Product

171. The consumer's estimate of the product's overall capacity to satisfy his or her needs is called:

- a. Product Cost
- b. Product Value**
- c. Product need
- d. Product Satisfaction

172. According to the text, a product is

- a. everything the customer receives in an exchange.**
- b. the physical object the customer receives in an exchange.
- c. the service that is rendered to a customer.
- d. the idea that the customer receives in an exchange.

173. An example of a convenience consumer product is stereo equipment.

- a. petrol.**
- b. a motorcycle.
- c. a bicycle.
- d. athletic shoes.

174. Which one of the following is NOT an industrial product?

- a. oil to be refined into fuel for homes
- b. transistors used as components for portable radios
- c. paper, pens, and glue used in bank branch offices
- d. computer software to help people complete personal tax forms**

175. AL Nath called several airlines to compare rates and chose a flight on British Midland as it had a better reputation for service and competitive prices. The airline ticket is an example of which type of product?

- A) convenience
- B) shopping**
- C) specialty
- D) unsought

176. Products that are relatively inexpensive and are purchased frequently with minimal effort can be classified as products.

- a. shopping
- b. convenience**
- c. industrial
- d. specialty
- e. unsought

177. Large tools and machines used in a production process for a considerable length of time are classified as

- a. major equipment.**
- b. accessory equipment.
- c. component parts.
- d. raw materials.
- e. consumable supplies.

178. Items that are purchased routinely, do not become part of the final physical product, and are treated like expense items rather than capital goods are called

- a. raw materials.
- b. major equipment.**

c. accessory equipment.

e. process materials.

d. component parts.

179. Products that are used directly in the production of a final product but are not easily identifiable are categorized as

a. accessory products.

c. consumable supplies.

e. process materials.

b. component parts.

d. assembly components.

180. Industrial products are

A. purchased for personal consumption.

B. frequently purchased for both their functional aspects and their psychological rewards.

C. traditionally classified according to their characteristics and intended uses.

D. not purchased by non-business organisations.

181. A company designs the product with little or no input from customers, the company is practicing which of the following concept?

a. Product concept

c. Selling concept

b. Marketing concept

d. Production concept

182. Which of the following 4Ps of marketing mix involves decisions regarding channels coverage, assortments, locations, inventories or transports?

a. Product

b. Price

c. Place

d. Promotion

183. Which of the following is NOT a part of marketing communication mix?

a. Telemarketing

c. Sales promotion

b. Public relations

d. Advertising

187. The identifies the product or brand.

a. Container

b. Label

c. Advertisement

d. Warranty

188. A(n) product exceeds customer expectations.

a. Strategic

b. Superior

c. Augmented

d. Anticipated

189. Which of the following are products and services bought by final consumers for personal consumption? These include convenience products, shopping products, specialty products, and

a. unsought products.

c. Consumer products

e. Capital items

b. Material and parts

d. Industrial products

190. The skimming, penetration, bargaining and bundling are decided in the of the Marketing Mix strategy.

a. Price Decisions

c. Product Decisions

b. Place Decisions

d. Promotion Decisions

191. Low Consumer involvement in purchase and little significant brand difference comes in which types of buying behaviors.

a. Variety-seeking buying behaviors

b. Complex buying behavior

- c. Dissonance reducing buying behavior d. Habitual buying behaviour

192. Distribution of product to get it in the marks refers to which of the following activities?

- a. Selling Activities b. Advertising activities
c. Promotion Activities d. Place or distribution activities

193. How many stages are involved in the consumer buying / adoption process?

- a. Six b. Seven c. Three d. Five

194. Which one of the following factor relates to family that influences consumer behavior?

- a. Cultural b. Social c. Personal d. Business

195. "Buy it now" refers to which one of the following options?

- a. Personal selling b. Advertising
c. Sales promotion d. Publicity

196. At least how many parties should be included in "Exchange"?

- a. Two b. Three c. Four d. Five

197. The buyer decision process consists of five stages. Which of the following is NOT one of these stages?

- a. Evaluation of Alternatives b. Information search
c. Variety-seeking buying behavior d. Post purchase behavior

198. You are planning to install a steel manufacturing plant in your city. For that purpose you want to have a supplier who supplies you the steel in raw form for manufacturing. Here supplier supplies you which of the following form of industrial product?

- a. Material and parts b. Capital items
c. Supplies and services d. None of the given options

199. "How are you telling consumers in your target group about your product" This question

- a. belongs to which marketing concept? b. Product
c. Price d. Place
e. Promotion

200. A transaction in which the organization is making an initial purchase of an item to be used to perform a new job refers to which of the following purchases?

- a. Straight rebuy purchase b. Delayed purchase
c. New-task purchase d. Modified rebuy purchase

EXPECTED MCQs

1. Which of the following is not the element of promotion-mix?

- a) Advertising, b) Place,
c) Personal selling, d) Publicity

Ans : b

2. Which of the following is in correct order?

- a) Product, Place, Promotion and Price
b) Product, Promotion, Place and Price
c) Product, Price, Promotion and Place
d) Product, Price, Place and Promotion.

Ans : c

3. Which of the demographic variables is not used by marketers for demographic segmentation?

- a) Gender, b) Age, c) Occupation, d) Poverty.

Ans : d

4. At which stage of the new product development, the launching of new product will take place –

- a) Business analysis, b) Test marketing,
c) Commercialization, d) Marketing strategy development.

Ans: c

5. In a company uses its company name for its entire range of products offered, then it is called:

- a) Private branding, b) Corporate branding,
c) product-line branding, d) Specific product branding.

Ans : b

6. One-level channel of distribution consists of:-

- a) producer-consumer, b) producer-dealer-consumer,
c) producer-dealer-retailer-consumer, d) producer-dealer-wholesaler-retailer-consumer.

Ans : a

7. The primary role of a production manager is:-

- a) to meet the production target and delivery schedule
b) to produce goods / services of right quality
c) to produce goods / services by right quantity at the predetermined time
d) all of the above.

Ans : d

8. Fixed position layout is used when:

- a) The operation requires heavy tools and equipments
b) The operation requires only hand tools and simple equipments
c) The continuity of production process is to be maintained
d) None of the above.

Ans : a

9. Which is the element of modern marketing?

- a) It emphasizes mutually of benefit, b) It is customer oriented,
c) It is operational, d) All of the above.

Ans : d

10. On-line marketing includes –

- a) Spatiality on on-line marketing, b) Non intrusiveness of on-line advertising,
c) soft-selling, d) All of the above.

Ans : d

11. The marketing concept involves –

- a) Organization integration, b) Competition orientation,
c) Customer orientation, d) all of the above.

Ans : d

12. A brand can be a –

- a) Product mix, b) Product feature,

- c) Product name, d) Product utility.

Ans : c

13. Product line covers –

- a) Departmental stores, b) One price retailer,
c) General retailer, d) all of the above.

Ans : d

14. A brand includes –

- a) Combination of name and symbol, b) Design,
c) Logo or mark, d) all of the above.

Ans : d

15. What is the advantage of marketing information system?

- a) Data warehousing, b) Marketing intelligence,
c) Data mining, d) all of the above.

Ans : d

16. Is a new way of performing the task of marketing, made feasible by the advent of new technology, namely the internet.

- a) Rural marketing, b) On-line marketing,
c) Green marketing, d) e-marketing.

Ans : b

17. Modern marketing consists of –

- a) Marketing and market research, b) CRM,
c) Supply chain management, d) all of the above.

Ans : d

18. Market potential is –

- a) Sales potential, b) Industry potential,
c) Company demand potential, d) None of the above.

Ans : b

19. Which is / are the elements of promotion mix?

- a) Public relations, b) Exhibitions and trade fairs,
c) Personal selling, d) all of the above.

Ans : d

20. Who among the following has given two basic qualities of a good salesman which are empathy and persuasion?

- a) Levitt, b) Philip Kotler,
c) Cundiff, d) Govoni.

Ans : b

21. Who quote the statement “Marketing is a human activity directed at satisfying needs and wants through exchange process”?

- a) Philip Kotler b) Hansi LV,
c) Peter F Drucker, d) D S Pauler.

Ans : a

22. On-line transaction are especially important for commerce.

- a) C 2 C, b) C 2 B, c) B 2 B, d) all of the above.

Ans : c

23. Electronic Commerce –

- a) is a term popularized by the advent of commercial services on the internet,
- b) includes electronic trading of goods and services,
- c) includes electronic funds transfer and data interchange,
- d) all of the above.

Ans : d

24. Which of the following is false?

- a) Salesmanship is a part of personal selling, b) Personal selling is a part of promotion mix,
c) Promotion mix is a part of marketing mix, d) None of the above.

Ans: d

25. Marketing philosophy can be best explained as –

- a) Creating the market and selling products,
- b) Facilitating satisfying exchange relationship with customer,
- c) Distributing products at the right price to market,
- d) Creating demand for profit maximization.

Ans : b

26. All of the following are marketing management tasks except -

- a) marketing planning,
b) project development and analysis,
c) coordinating promotion mix,
d) pricing the product.

Ans : b

27. Which is the task of advertising?

- a) Providing information about the product,
b) Image building,
c) Behavior reinforcement,
d) all of the above.

Ans : d

28. A change in the minimum drinking age in the UK presents a change in which of the following for Kingfisher beverages?

- a) Marketing mix,
c) Marketing task,
- b) Marketing environment,
d) Product strategy.

Ans : b

29. The first 'P' of marketing has its closeness with –

- a) Product and price,
b) Price and place,
c) Product and place,
d) Product and promotion.

Ans : d

30. AMA stands for –

- a) Asian Management Association,
b) American Marketing Association,
c) Asian Marketing Association,
d) All marketing Activities.

Ans : b

31. Which concept of marketing is product-oriented –

- a) Modern concept of marketing,
b) Entity concept of marketing,
c) Old concept of marketing,
d) New concept of marketing.

Ans : c

32. USP is –

- a) Unique Selling Point,
c) Unique Sales Product,
- b) Unique Selling Proposition,
d) Utility Sales Potential.

Ans : b

33. Of the following media, which one is used least frequently by business-to-business marketers?

- a) Direct mail,
- b) Television,
- c) Trade publications,
- d) Personal selling.

Ans : b

34. Which of the following factors are used to understand consumer behaviour?

- a) Motivation,
- b) Attitude and beliefs,
- c) Learning,
- d) all of the above.

Ans : d

35. A paid form of non-personal communication about a product that is transmitted to a target audience through a mass medium is -

- a) Publicity,
- b) Sales promotion,
- c) Advertising,
- d) Personal selling.

Ans : c

36. Which of the following facts is / are true?

- a) B 2 C - Business to Consumer,
- b) B 2 G - Business to Government
- c) C 2 C - Consumer to Consumer,
- d) all of the above.

Ans : d

37. The term 'Marketing Myopia' was coined by -

- a) Philip Kotler,
- b) Henry Ford,
- c) Theodore Levitt,
- d) None of these.

Ans : c

38. FAQs stand for -

- a) Frequently Asked Questions,
- b) Financial Ability Quota,
- c) Financial Administered Quotations,
- d) None of the above.

Ans : a

39. Techniques of sales promotion are -

- a) Free samples and free offers,
- b) Merchandising,
- c) Trade credits,
- d) all of the above.

Ans : d

40. Prices are kept very high in which pricing policy?

- a) Skimming,
- b) Penetration,
- c) Transfer pricing,
- d) Absorption pricing.

Ans : a

41. Product includes -

- a) Ideas,
- b) Services,
- c) Place,
- d) all of these.

Ans : d

42. The schedule and sequence for visiting the outlets in any market is known as a plan.

- a) Coverage,
- b) Call,
- c) Beat,
- d) Visit.

Ans : c

43. The ultimate level of segmentation leads to:

- a) Niche marketing,
- b) Individual marketing,
- c) Local marketing,
- d) None of the above.

Ans : b

44. Which one is not the element of marketing mix?

- a) Packaging,
- b) Price,
- c) Distribution,
- d) Quality.

Ans : d

45. Who introduced the 4P's of marketing mix?

- a) Mc Carthy,
c) Levitt,
- b) Philip Kotler,
d) Peter F Drucker.

Ans : a

46. Which one is not the phase of new product development?

- a) Idea screening,
b) Concept development,
c) Concept testing,
d) Quality control.

Ans : d

47. Price of a shoe is Rs. 299. This is an example of pricing.

- a) Penetration,
b) Psychological,
c) Cost plus,
d) Skimming.

Ans : b

48. Marketing of anti-cancerous drugs is the example of marketing.

- a) Niche,
c) Multilevel,
- b) Local,
d) Individual.

Ans : a

49. The product is a bundle of that a consumer buys.

- a) Features,
- b) Satisfaction,
- c) Preferences,
- d) Conveniences.

Ans : b

50. Which one is the first P of marketing mix?

- a) Price,
c) Promotion,
- b) Product,
d) Place.

EXPECTED QUESTIONS'

1. "The concept of marketing mix was developed by -----.

- a. N. H. Borden
c. Stanton

Answer: a

2. "Many people want BMW, only few are able to buy" this is an example of ...

- a. Need b. Want c. Demand d. Status**

Answer: c

3. is the act of obtaining a desired object from someone by offering something in return.

- a. Marketing Myopia b. Selling c. Exchange d. Delivery**

Answer: c

4. It's combination of quality, service & price

- a. Marketing Triad
b. Customer Value Triad
c. Customer Satisfaction Triad
d. Service Quality Triad

Answer: b

5. model is highly firm centric, where the firm believes that the competitive edge lies in its ability to innovate.

- a. Conventional
- b. Contemporary
- c. Competitive
- d. None of the above

Answer: a

6. "Marketing is the activity, set of & processes for creating, communicating, delivering & offerings that have value for customers, clients, partners & society."

- a. Institutions, satisfying
- b. Organizations, exchanging
- c. Institutions, exchanging
- d. Organizations, understanding

Answer: c

7. Involves purchase from various sources & assembled at one place – involves creation & maintenance of the stock of goods purchased &Involves transfer of ownership of the goods

- a. Selling & Buying
- b. Assembling & Selling
- c. Buying & Assembling
- d. Assembling & Buying

Answer: b

8.are the form of human needs take as shaped by culture & individual personality.

- a. Wants
- b. Demands
- c. Needs
- d. Social Needs

Answer: d

9. is want for specific product backed by on ability to pay

- a. Demand
- b. Need
- c. Want
- d. Customer

Answer: a

10. This of the following is not a type of Marketing Concept:

- a. The production concept
- b. The selling concept
- c. The societal marketing concept
- d. The Supplier Concept

Answer: d

11. "Get out production, cut the price" - Philosophy by Henry Ford is an example of...

- a. Marketing Concept
- b. Selling Concept
- c. Production Concept
- d. Product Concept

Answer: c

12.is the father of Modern Marketing.

- a. Peter Drucker
- b. Philip Kotler
- c. Lester Wunderman
- d. Abraham Maslow

Answer: b

13. The term marketing refers to:

- a. Advertising, Sales Promotion, Publicity and Public Relational activities
- b. New product needs ideas, Developments, concepts and improvements.
- c. Sales Planning, Strategy and Implementation
- d. A philosophy that stresses customer value and satisfaction.

Answer: d

14. defined as all psychological, social and physical behaviour of potential customers as they become aware of, evaluate, purchase, consume and tell others about the product and services

- a. Customer Value
- b. Consumer Behavior
- c. Holistic Marketing
- d. Societal Marketing

Answer: b

15. Marketing is a process which aims at -----.

- a. Production
- b. Profit making.
- c. Satisfaction of customer needs
- d. Selling products

Answer: c

16. Marketing management is _____.

- a. developing marketing strategies to move the company forward
- b. managing the marketing process
- c. monitoring the profitability of the company's products and services
- d. the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value

Answer: d

17. The most formal definition of marketing is -----.

- a. An organizational function and a set of process for creating, communicating and delivering, value to customers and that benefit the organization.
- b. Improving the quality of life for consumers
- c. Meeting needs profitability
- d. Marketing is an organizational function includes the 4Ps

Answer: a

18. Marketers often use the term _____ to cover various groupings of customers.

- a. buying power
- b. demographic segment
- c. market
- d. people

Answer: c

19. Today, marketing must be understood in a new sense that can be characterized as:

- a. "Get there first with the most."
- b. "Management of youth demand."
- c. "Satisfying customer needs."
- d. "Telling and selling."

Answer: c

20. Marketing is both an "art" and a "science" there is constant tension between the formulated side of marketing and the _____ side.

- a. behavior
- b. creative
- c. management
- d. selling

Answer: c

21.is the major objective of any marketing activity in the world because marketing completes with the real sale of goods and services bought or acquired by the seller or when intermediary has been affected.

- a. Marketing
- b. Selling
- c. Assembling
- d. Transportation

Answer: b

22. It up holds the importance of customer in the whole value creation process. The D.A.R.T highlights this aspect in a vivid manner.

- 1. Contemporary Model
- 2. Conventional Model
- 3. Both a&b
- 4. None of the above

Answer: a

23. Select an appropriate definition of Want

- 1. Consumer Needs
- 2. Needs backed by buying power
- 3. Needs directed to the product
- 4. Basic human requirements

Answer: c

23. The key customer markets consists of

- 1. Government Markets
- 2. Business Markets
- 3. Consumer Markets
- 4. All of the above

Answer: d

24. Definition of Marketing given by Philip Kotler:

1. Marketing is the process by which companies create value for customers & build strong customer relationships in order to capture value from customers in return.
2. Marketing is societal process by which individuals & groups obtain what they need & want through creating offering & freely exchanging products & services of value with others.
3. Marketing is the activity, set of institutions & processes for creating, communicating, delivering & exchanging offerings that have value for customers, clients, partners & society at large.
4. None of the above

Answer: a

25. Which of the following statements is the most correct statement?

1. "The delivery of Goods & Services from producers to their ultimate consumers or users includes many different activities. These different activities are known as marketing."
2. Marketing is to ensure that the product is easily & effectively moved from the point of production to the target market & ensures that the product can be easily accessed by customers."
3. Marketing is the activity, set of institutions & processes for creating, communicating, delivering & exchanging offerings that have value for customers, clients, partners & society
4. "Marketing is the last step in the chain of commerce where a buyer exchanges cash for a seller's good or service, or the activity of trying to bring this about."

Answer: c

26. Anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need is called a(n):

- a. Demand. b. Idea. c. Product. d. Service

Answer: c

27. This company is well known for Technology innovation, Great value and act as a game changer.

- a. Nokia b. Apple c. HTC d. Samsung

Answer: b

27.buy products &use product.

- a. Consumer & Customers b. Customers & Consumer
c. Buyers & Sellers d. Buyers & Customers

Answer: b

28.means classification of standardized product into certain well defined classes or groups."

- a. Gradation b. Segmentation c. Standardization d. Specification

Answer: a

29. Goods are purchased from various places and or sources and assembled at one or sources and assembled at one place to suit the requirement of the buyer is known as.....

- a. Buying b. Selling c. Assembling d. Material Handling

Answer: c

30. is the acquisition of goods and services by the seller or industrial user for the purpose of resale.

- a. Selling b. Assembling c. Buying d. Transportation

Answer: b

31.is establishment of certain standards or specifications for products." It may involve Quality (color, taste, appearance, sweetness, purity) & Quantity (Weight, size, length etc.)

- a. Standardization b. Gradation
c. Product Control d. Product Development

Answer: a

32.reflects the sum of the perceived tangible & intangible benefits & costs to customers.

- a. Customer Satisfaction
- b. Customer Value
- c. Customer Delight
- d. None of the above

Answer: b

33. In marketing, the term product:

- a. refers only to tangible items that can be seen, tasted, or touched.
- b. is a broad concept that refers to anything that can be offered for use and consumption, in exchange for money or some other form of value
- c. is limited in meaning to goods, services, and ideas only.
- d. never refers to such things as package design, brand name, or warranty.

Answer: b

34. An organization with several product lines has which one of the following mix that consists of all the product lines and items which a particular seller offers for sale?

- a. Product mix
- b. Brand mix
- c. Consumer mix
- d. Packaging mix

Ans: a

35. Testing before launching a product is known as -----.

- a. Acid test
- b. Concept testing
- c. Market test
- d. Test marketing

Answer: d

36. Launching a product in a small part of the market is called:

- a. Commercialization
- b. Competitive analysis.
- c. Competitive response.
- d. Test marketing

Answer: d

37. Original products, product improvements, product modifications, and new brands that a firm develops through its own research and development efforts are called:

- a. Altered products.
- b. Concept products.
- c. New products.
- d. Supplemental products.

Answer: c

38. Introducing the new product into the market takes place in which stage of the new product development process?

- a. Commercialization
- b. Test marketing
- c. Product development
- d. Marketing strategy

Answer: b

39. Looking at the sales history of similar products and surveying market opinion are tools used at which stage in the new-product development process?

- a. Business analysis
- b. Commercialization
- c. Concept development and testing
- d. Marketing strategy development

Answer: b

40. Presenting new-product ideas to consumers in symbolic or physical ways to measure their reactions occurs during which of the following stages?

- a. Concept testing
- b. Idea generation
- c. Marketing strategy
- d. Screening

Answer: a

41. A _____ is a detailed version of the idea stated in meaningful consumer terms.

- a. Product concept
- b. Product feature
- c. Product idea
- d. Product image

Answer: a

42. The systematic search for new-product ideas is characteristic of which stage in the new product development process?

- a. business analysis
- b. concept development and testing
- c. idea generation
- d. idea screening

Answer: c

43. Original products, product improvements, product modifications, and new brands that a firm develops through its own research and development efforts are called:

- a. Altered products
- b. Concept products
- c. New products
- d. Supplemental products

Answer: c

44. Company can create successful new products by

- a. Understanding consumers, markets, & competitors
- b. Developing products that deliver superior value to consumers
- c. Developing a great advertising campaign
- d. Both a & b

Answer: d

45. One reason that idea screening is a critical stage in the new-product development process is that:

- a. Competitors can quickly steal ideas so the company wants only those ideas that can be protected with patents.
- b. International competition and markets demand that all ideas be culturally sensitive.
- c. Product-development costs rise greatly in later stages and the company only wants those products that can succeed.
- d. The Federal government carefully monitors each company's idea screening process to make sure no national security matters are at stake.

Answer: c

46. _____ calls for finding 30 to 40 qualified shoppers and questioning them about brand familiarity and preferences in a specific product category.

- a. Controlled test marketing
- b. Focus group research
- c. Sales-wave research
- d. Simulated test marketing

Answer: d

47. The ultimate way to test a new consumer product is to put it into full-blown _____.

- a. Controlled test marketing
- b. Sales-wave research
- c. Screening
- d. Test markets

Answer: d

48. A _____ is an elaborated version of the idea expressed in consumer terms.

- a. New idea
- b. Product concept
- c. Product idea
- d. Test brand

Answer: b

49. Suppose Nestle wants to expand its line of food products. The managers conduct surveys from customers to determine which food items would appeal to customers. Nestle is currently in which of the following phase of new product development?

- a. Business analysis
- b. Idea generation

c. Idea screening

d. Test marketing

Answer: d

50. What are the two ways that a company can obtain new products?

a. Internal development and merger

b. Line extension and brand management service

c. Market mix modification and research and development

d. New-product development and acquisition

Answer: d

51. Which of the following is not a potential cause of the failure of a new product?

a. A poorly designed product

b. An incorrectly positioned product

c. An underestimated market size

d. Higher than anticipated costs of product development

Answer: c

52. Executives, manufacturing employees, and salespeople are all examples of ____.

a. core members of innovation management systems

b. external sources for new-product ideas

c. internal sources for new-product ideas

d. research and development team members

Answer: c

53. Your firm wants to use external sources for new product ideas. After consulting with a friend you learn that all of the following are common external sources except ____.

a. competitors

b. suppliers

c. the firm's executives

d. trade shows and magazines

Answer: c

54. The purpose of idea generation is to create a ____ of ideas. The purpose of succeeding stages is to ____ that number.

a. Large number; increase

b. Large number; reduce

c. Small number; increase

d. Small number; reduce

Answer: b

55. ABC has just brainstormed a large number of ideas for adding new products and services after visiting several buying fairs. The owners will begin the first idea-reducing stage, called ____, to arrive at a realistic number to adopt.

a. concept development

b. idea generation

c. idea screening

d. product concept

Answer: c

51. In the concept testing stage of new-product development, a product concept in ____ form is presented to groups of target consumers.

a. commercial

b. Final

c. physical or symbolic

d. prototype

Answer: c

52. After concept testing, a firm would engage in which stage in developing and marketing a new product?

a. business analysis

b. marketing strategy development

c. product development

d. test marketing

Answer: b

53. During which stage of new-product development is management most likely to estimate minimum and maximum sales to assess the range of risk in launching a new product?

- a. business analysis b. concept testing
c. marketing strategy development d. test marketing

Answer: a

54. In the _____ stage of new-product development, products often undergo rigorous tests to make sure that they perform safely and effectively or that consumers will find value in them.

- a. business analysis
b. concept development and testing
c. idea generation
d. product development

Answer: d

55. NPD stands for:

- a. National Production Division.
c. New Product Design
- b. New Product Department.
d. New Product Development

Answer: d

56. Providing a description of a product and its attributes and inviting comment from consumers is called:

- a. Attribute testing.**
c. Idea Screening
- b. Concept testing**
d. Market testing

Answer: b

57. If Toyota describes one of its cars of the future as being “a moderately priced subcompact designed as a second family car to be used around town; the car is ideal for running errands and visiting friends,” then the company has just stated a potential new product in terms of a:

- a. Product concept
b. Product feature
c. Product idea
d. Product image

Answer: a

58. When a company reviews sales, costs, and profit projections for a new product to find out whether these factors satisfy the company's objectives, they are in which of the following new-product development stages?

- a. Business analysis b. Commercialization
c. Concept development and testing d. Marketing strategy development

Answer: a

59. _____ is screening new-product ideas in order to spot good ideas and Drop poor ones as soon as possible.

- a. Brainstorming
b. Concept development and testing
c. Idea generation
d. Idea screening

Answer: d

60. A _____ is a detailed version of the idea stated in meaningful Consumer terms.

- | | |
|--------------------|--------------------|
| a. Product concept | b. Product feature |
| c. Product idea | d. Product image |

Answer: a

61. If a company wishes to test its positioning strategy, advertising, distribution, pricing, branding and packaging, and budget levels, it can do so during which of the following stages of the new-product development process?

- a. Commercialization
b. Concept testing
c. Product development
d. Test marketing

Answer: d

62. Highest percentage of ideas for new products originates with/from which of the following sources?

- a. Competitors
c. Employees
Answer: b
- b. Customers
d. Top management

63. Which of the following are the people who purchase new products almost as soon as the products reach the market?

- a. Early majority
c. Late adopters
Answer: b
- b. Innovators
d. Late majority

64. Which of the following is NOT one of the stages that customers go through in the process of adopting a new product?

- a. Awareness
c. Evaluation
Answer: b
- b. Desire
d. Interest

65. If Videocon engineers its washing machines to spin the clothes faster regardless of whether or not customers want that speed, then Videocon has characteristics associated with

- a. Production concept
c. Marketing concept
Answer: d
- b. Selling concept
d. Product concept

66. emphasizes salable surpluses within the corporation, seeks to convert 'products' into 'cash', emphasizes getting rid of stocks, concerns itself with the tricks & techniques of getting the customers to part with their cash for the products available with the salesman.

- a. Marketing
c. Public Relation
Answer: b
- b. Selling
d. Sales Promotion

67. Marketing Myopia related first paper published in 1960 in the _____

- a. International Business Review
c. Harvard Business Review
Answer: c
- b. Forbes Magazine
d. Oxford University Press

68. It has the aim of building long term mutually satisfying relations with key parties, customers, suppliers, distributors in order to earn and retain their long term preference & business.

- a. Marketing Myopia
c. Product Marketing
Answer: b
- b. Relationship Marketing
d. Selling Concept

69. emphasizes on the product & Emphasizes on the Customers needs & wants.

- a. Selling, Marketing
c. Consumer, Customer
Answer: a
- b. Marketing, Selling
d. Marketing, Customer

70. A short-sighted and inward looking approach to marketing that focuses on the needs of the company instead of defining the company and its products in terms of the customers' needs and wants is known as

- a. Transactional Marketing
c. Customer Value Triad
Answer: b
- b. Marketing Myopia
d. Ambush Marketing

71. Newsletters, catalogues, and invitations to organisation-sponsored events are most closely associated with the marketing mix activity of:

- a. Distribution
b. Pricing

c. Product development

d. Promotion

Answer: d

72. Marketing buzz means -----.

a. De- marketing

b. Social marketing

c. Viral marketing

d. Virtual marketing

Answer: c

73. Inside sales is known as -----.

a. Direct marketing

b. Social marketing

c. Tele- marketing

d. Viral marketing

Answer: c

74. Which is the feature of direct marketing -----.

a. One-to-one communication

b. Open dialogue

c. Personal relationship

d. All of the above

Answer: d

75. Re marketing is related with creating demand for -----.

a. Fresh products

b. Low quality products

c. Non-usable product

d. Renewed use of products

Answer: d

76. Tele -marketing is a part of -----.

a. Direct marketing

b. Relationship marketing.

c. Social marketing

d. Viral marketing

Answer: a

77. Direct marketing refers to a communication between the ----- and ----- directly.

a. Firm and suppliers

b. Price and services

c. Seller and buyer

d. Society and target market

Answer: c

78. "How are you telling consumers in your target group about your product" This question belongs to which marketing concept?

a. Place

b. Price

c. Product

d. Promotion

Answer: d

79. If Mark Mars pays Hershey Foods Corporation for the right to use its name on his line of T-shirts, then Mr. Mars is using which type of policy?

a. Co-branding

b. Licensing

c. Manufacturer's branding

d. Private branding

Answer: b

80. The promotion "P" of marketing is also known as _____.

a. Cost

b. Distribution

c. Marketing Communication

d. Product Differentiation

Answer: c

81. When a company distributes its products through a channel structure that includes one or more resellers, this is known as _____.

a. Direct marketing

b. Indirect marketing

c. Integrated marketing

d. Multi-level marketing

Answer: c

81. If the aim of the promotion to introduce a new consumer product is to achieve high awareness levels, the firm will most likely make heavy use of _____ in the promotional mix.

- a. Advertising
- b. Personal selling
- c. Publicity
- d. Sales promotion

Answer: a

82. A consumer contest is an example of _____.

- a. Advertising
- b. Indirect selling
- c. Personal selling
- d. Sales promotion

Answer: d

83. "Buy it now" refers to which one of the following options?

- a. Advertising
- b. Personal selling
- c. Publicity
- d. Sales promotion

Answer: b

83. Advertising appropriations are largest for which type of product?

- a. Convenience goods
- b. High-priced products
- c. Industrial products
- d. Specialty goods

Answer: a

84. A television advertisement showing the safety features of the Volvo 240 DL would be best classified as which of the following?

- a. Defensive advertising
- b. Pioneer advertising
- c. Product advertising
- d. Societal marketing

Answer: c

85. Which of the following is NOT a part of marketing communication mix?

- a. Advertising
- b. Public relations
- c. Sales promotion
- d. Telemarketing

Answer: d

86. The term Marketing Myopia was written by

- a. Philip Kotler
- b. Royal Dutch Shell
- c. Theodore Levitt
- d. Henry Ford

Answer: c

87. Rajeev Kapoor is a chef in a new downtown restaurant. He has sent out press releases to the major local media and has invited food critics to dine in his restaurant. Rajeev is engaging in

- a. Public relations
- b. Personal selling
- c. Sales promotion
- d. Advertising

Answer: a

88. Newsletters, catalogs, and invitations to organisation-sponsored events are most closely associated with the marketing mix activity of:

- a. Pricing
- b. Distribution
- c. Product development
- d. Promotion

Answer: d

89. In relationship marketing firms focus on _____ relationships with _____.

- a. Short-term; customers and suppliers
- b. Long-term; customers and suppliers
- c. Short-term; customers
- d. Long-term; customers

Answer: b

90.shows that a service was performed, such as the delivery packaging for the item delivered by a delivery service, or a scar left by a surgeon. This reminds or reassures the consumer that the service took place, positively or negatively

1. Process 2. People 3. Physical Evidence 4. Consumer

Answer: c

91.defined as the employees that execute the service chiefly concerns the manner and skill in which they do so

1. Process 2. People 3. Physical Evidence 4. Consumer

Answer: b

92.is an important P of marketing which affect the execution of its service, such as job queuing or query handling.

1. Process 2. People 3. Physical Evidence 4. Consumer

Answer: a

93. A further 3Ps are incorporated into the marketing mix:

- a. Physical evidence, process and price. b. Process people and promotion.
c. Physical evidence, people and production. d. Physical evidence, process and people.

Answer: d

94. A further 3Ps are incorporated into the marketing mix:

- a. physical evidence, process and price. b. process people and promotion.
c. physical evidence, people and production. d. physical evidence, process and people.

Answer: d

95. In the history of marketing, when did the production period end?

- a. In the late 1800s. b. In the early 1900s.
c. In the 1920s. d. After the end of the Second World War.

Answer: c

96. Which one of the following is a key to build lasting relationships with consumers?

- a. Price of the product b. Need recognition
c. Customer satisfaction d. Quality of product

Ans: c

97. Which of the following is not an Exchange function of Marketing?

- a. Product Planning & Development b. Buying function
c. After sales service d. Selling Function

Answer: c

98. If focus is on social and ethical concerns in marketing' is characteristic of the _____

- a. period. b. Production c. Sales d. Marketing e. Societal marketing

Answer: d

99. Which of the following is not an element of the marketing mix?

- a. Distribution b. Promotion c. Production d. Pricing

Answer: c

100. The term 'marketing mix' describes:

- a. a composite analysis of all environmental factors inside and outside the firm.
b. a series of business decisions that aid in selling a product.
c. the relationship between a firm's marketing strengths and its business weaknesses.
d. a blending of strategic elements to satisfy specific target markets.

Answer: d

PRACTICE SETS'

1. Which concept of Marketing are customer oriented?
 - a. Old concept of marketing
 - b. Modern concept of marketing
 - c. Entity concept of business
 - d. all of the above
2. Marketing is often considered synonymous with
 - a. selling
 - b. advertising
 - c. both a and b
 - d. none of the above
3. _____ is the process of planning and ececuting the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.
 - a. Marketing
 - b. Selling
 - c. Advertising
 - d. Planning
4. The first objective in marketing is
 - a. brainstorming
 - b. discovering the needs of perspective consumers
 - c. promotion of product to make consumers aware of its existence.
 - d. None of the above
5. According to the societal marketing concepts, who is most important in deciding what needs and wants are good for consumers in the long run?
 - a. the organization itself
 - b. The individual consumers
 - c. Regulatory bodies
 - d. None of the above
6. Marketing concepts is based on the belief that
 - a. the company's planning and operations are customer oriented
 - b. the goals of the company should be profitable sales volume and not hust volume
 - c. all the marketing activities need not be coordinated effectively
 - d. both a and b
7. Organisations must strive to alter, adopt and develop their products to keep pace, with ever changing customer preferences and desire. This is important feature of
 - a. marketing concept
 - b. exhcnage concept
 - c. production concept
 - d. none of the above
8. Marketing deals with _____ and meeting human and social needs.
 - a. identifying
 - b. rejecting
 - c. both a and b
 - d. none of these
9. The major instruments of marketing in the hands of management are
 - a. product
 - b. promotion
 - c. price
 - d. all of these
10. The _____ is the ideas that an organization should seek to satisfy the eants of consumer, while also trying to achieve the orgainsation goals.
 - a. selling concepts
 - b. production concepts
 - c. marketing, buyer
 - d. buyer, purchaser
11. The exchange concept of marketing takes place between ____ and ____
 - a. seller, buyer
 - b. customer, consumer
 - c. consumer, buyer
 - d. buyer, purchaser
12. Marketing stresses on needs of the buyer, whereas selling stress on the need of
 - a. market
 - b. seller
 - c. product
 - d. consumer

13. Find the true statement?

- a. marketing is waste of the employees time
- b. marketing is not required in India to its vast population
- c. Marketing involves additional work
- d. marketing involves team work

14. How do you distinguish marketing and selling

- a. they are one and same
- b. marketing is a part of selling
- c. selling is a part of marketing
- d. none of the above

15. Which one is not a function of marketing?

- a. Identification of customer needs and wants
- b. Product planning and development
- c. Guiding the funding agencies
- d. communicating

16. In marketing, selling and buying would be called the

- a. primary function
- b. secondary function
- c. exchange function
- d. profit function

17. According to Peter Drucker, the focus of a business is not _____ but _____ -

- a. customers, profits
- b. Profits, customers
- c. Profits, new markets
- d. New markets, customers

18. The need or want for a particular product becomes a demand, when

- a. the product / service is available
- b. it is backed by buying power
- c. a product represents that particular need
- d. all of these

19. Social marketing concept is based upon

- a. large target market with active buyers
- b. customer satisfaction and customer welfare
- c. realization of maximum profit through service of society
- d. none of the above

20. Which of the following is objectives of marketing?

- a. satisfying customers and increasing demand
- b. creating goodwill for the organization
- c. providing better quality products
- d. all of the above

21. Exchange concept of marketing deals with

- a. exchange of products between sellers and buyers covering distribution and price aspects.
- b. mere appendage to production
- c. achieving marketing success through product attributes
- d. aggressively promote and push the products

22. Which one of the following contains the three elements of service marketing triangle?

- a. Management, marketing agency and consumer
- b. marketing agency, government and consumer
- c. management, employees and marketing agency
- d. management, employees and consumer

23. In this stage of business cycle, employment rate is high, interest rates are low, inflation is low and income is high.

- a. growth or prosperity
- b. recession
- c. depression
- d. recovery

24. Which of the following channels of distribution is correct?

- a. Manufacturer → Agent → Wholesalers → Retailers → consumer.
- b. Manufacturer → Agent → Retailers → consumers
- c. both a and b
- d. none of the above

25. Which one of the following elements is not in the marketing mix?

- a. Price
- b. Products
- c. storage
- d. promotion

26. The concept of marketing mix involves a deliberate and careful choice of organization, product, price, promotion and place strategies and

- a. policies
- b. concept
- c. planning
- d. all of the above

27. Which one of the following is controllable variable of marketing management?

- a. environment
- b. competition
- c. consumer
- d. price

28. The choice of marketing mix does not depend upon

- a. the marketing environment of the organization
- b. employee objectives
- c. marketing organization structure and information system
- d. all of the above

29. Promotion mix is the particular combination of promotional tools used by a company to _____ with its audiences.

- a. plan
- b. communicate
- c. decide
- d. none of these

30. Among the four P's of marketing, 'place' includes

- a. types of intermediaries
- b. public relation
- c. location of outlets
- d. both a and c

31. Conditions necessary for exchange are

- a. at least two parties must be involved
- b. each party must have something that interests the other.
- c. both a and b
- d. none of the above

32. _____ reduce the demand for a product or service on a temporary or permanent basis.

- a. counter marketing
- b. mega marketing
- c. demarketing
- d. none of these

33. Convenience goods are those which are

- a. consumed easily
- b. distributed easily
- b. purchased frequently
- d. none of these

34. Grading is an important process in the functions of

- a. standardization
- b. specialization
- c. both a and b
- d. neither a nor b

35. Promotion media are the various vehicles that a corporation can use to carry their promotion.

- a. audience
- b. managers
- c. owners
- d. none of these

36. Which of the following will not lead to change in the marketing mix of a product?

- a. change in corporate / competitive strategy of the firm
- b. change in the organization or resource level of the firm
- c. rigidity in the product lines of the firm

d. all of the above

37. _____ occurs when a marketer is excessively pre-occupied with product development, manufacturing or selling and ignores customer needs, wants and interests.

- a. customization b. target marketing c. marketing myopia d. NOTA

38. _____ is the ways to overcome marketing myopia

- a. be customer led not product oriented
b. market orientation should be permitted through out the organization.
c. managers need to be proactive and visionary
d. all of the above

39. Of the following, the item that is most likely to be a shopping good to most people is

- a. a TV set b. health food c. toothpaste d. none of these

40. Goods purchased by individuals for their own personal use rather than for business or industrial use is called _____

- a. convenience goods b. capital goods
c. consumer goods d. none of these

41. _____ places the customer at the beginning as well as at the end of the business cycle

- a. functional integration b. customer orientation
c. marketing myopia d. none of these

42. _____ shows the actual time of starting a particular programme.

- a. programmes b. schedules
c. procedures d. policies

43. _____ indicates that if company's future seems to be bright, its present policies should be continued

- a. diagnosis b. prognosis c. strategy d. none of these

44. _____ suggest how to use the company's strategies to achieve its objectives

- a. tactics b. programmes c. schedules d. none of these

45. Internal factors affecting marketing planning are

- a. size of the company b. risk bearing capacity of the company
c. price trends in the country d. both a and b

46. Customer orientation is _____ to development and someone within the organization must have the foresight to see that there are _____ prospects for what has been developed

- a. not important, immediate b. critical, commercial
c. non-important, commercial d. critical, non-commercial

47. Which of the following is not a part of strategic planning?

- a. purposes and mission b. objectives
c. choice of businesses d. social responsibility

48. The strategy of introducing a product with high introductory price is called

- a. penetration strategy b. skimming strategy
c. pull strategy d. push strategy

49. In the first stage of the new product development process, the company determines which markets it wants to enter, this is known as _____

- a. opportunity identification b. testing

- c. introduction d. life cycle management

50. All of the following factors are correlated with successful new product introduction except

- a. a superior product with throughout product benefits
b. a strong market orientation unouged the new product development process
c. the appropriate organizational structure
d. strong retailiation by competitors

51. _____ assess whether the marketing policies, programmes, systems and methods established in the distant past are valid for today

- a. ratio analysis b. marketing audit
c. credit control d. none of the above

52. Of the following, the statement that best expresses the basic ideas behind the marketing concepts is

- a. produce the best possible product b. produce the cheapest possible product
c. try to reduce the cost of marketing d. keep the consumer foremost in mind

53. The price of a product must be relevant to the

- a. utility or satisfaction ot delivers to buyers
b. amount of profit the sellers can obtain
c. availability of substitutes
d. none of the above

54. Marketing concept involves following ideas

- a. marketing department becomes the main management force in a company
b. the company becomes completely consumer oriented
c. both a and b
d. neither a nor b

55. 'The marketing concept is a customer orientation backed by integrated marketing aimed at generating customer satisfaction as the key to satisfying organizational goals'. Who said it?

- a. P Kattaler b. Kotler c. LG Peter d. None of the above

56. Arrange the following elements of marketing in their correct order.

1. planning 2. Strategy 3. Tactics 4. Research
Codes
a. 1 2 3 4 b. 4 2 1 3 c. 2 3 4 1 d. 3 2 1 4

57. Marketing can be viewed s an activity that takes the basic physical features of a product, adds value to it and nakes it attractive targeted segments of the buying population. This value added activity could be

- a. brand b. customer service c. packaging d. all of these

58. Traditional marketing focused on _____ while today's marketers must focus on _____ as the end result of a successful marketing strategy.

- a. transactions, relationships b. customer, profits
c. profits, products d. relationships, transactions

59. All of the following are true regarding marketing except

- a. only those, who work in the traditional marketing department are charged with performing marketing activities
b. any individual inside of an organization, who can potentially win or lose customers is in marketing
c. marketing is involved whenever individuals or organisations have a choice to make.
d. any set of activities attemting to influence customer choice is marketing.

60. Which of the following factors affects the choice of channel of distribution?

1. size of manufacturer
2. Desire to control the channel
3. perishability of product
4. Weight of product
5. number of customers

Select the correct answer using the codes given below

- a. only 2 b. both 4 and 5 c. both 3 and 4 d. none of the above

61. Which of the following statement is true about production era?

- a. supply creates its own demand b. consumer is king
c. focus only on selling products to consumers d. none of the above

62. All of the following statements are true except

- a. It costs more to get a new customer than to keep an existing one
b. Marketers that can retain more customers by satisfying them better than competitors will have profitable products in the long-run not just the short-run
c. a product with low brand loyalty will have a higher lifetime customer value than a product with high brand loyalty.
d. marketing managers will have to focus on the relationship between the organization and the customer as the end result of a successful marketing strategy.

63. Consider the following statements

1. Assembling and managing the marketing mix is the crux of the marketing task.
2. Assembling the marketing mix is a continuous task.
3. Public relation is a key ingredient in the marketing mix.

Which of the statements given above are correct?

- a. only 1 b. 2 c. 3 d. all of the above

64. Accordingly marketing managers in developing a product line strategy, do not address the following issue.

- a. how many products should be in the line?
b. how should the products in the line be targeted and differentiated?
c. how should the products be manufactured?
d. how should resources be allocated across the line to maximize profits or market share?

65. Which of the following are the merits of marketing planning?

1. identification of future development.
2. consideration of opportunity.
3. focus on objectives.
4. profitable employment of resources

Select the correct answer using the codes given below:

- a. 1 b. 1 2 c. 1 2 3 d. all of the above

66. _____ is the new product introduction factor that refers to knowing the target market, specifying the benefits to be delivered to the target customers, having a basic idea of how the product will be positioned and finalising the features and attributes.

- a. strong market orientation b. careful launch planning
c. sharp product definition d. detailed new product development process

67. Which of the following features of a technology driven organization is incorrect?

- a. the philosophy is 'what we make, we sell.'
b. focus is on the research and development group as well as sales
c. much money is spent on marketing research and test marketing until the product is finally made
d. understand that customers buy products that the product features provide and do not inherently want to buy products

68. When the ideal selling price is first determined and the feasibility of meeting that price is assessed and costs are controlled in order to produce product that can be sold at the target price, this is called
- market development
 - price determination
 - target costing
 - product development
69. Which of the following is the main reason, many experts believe that relying on customers for new products, particularly true innovations, is doomed to failure?
- customers limited ability to see into the future and conceptualise what could be
 - customers could be biased and purchase only expansion products
 - customers don't have the time to think about new products
 - customers not wanting to submit new ideas to the organization
70. In _____ companies attempt to give customers the perception that they are being served as unique segments.
- mass customization
 - mass marketing
 - global marketing
 - International marketing
71. One criterion that should always be applied to market segmentation is
- Parsimony
 - Homogeneity
 - Mass marketing
 - Image appeal
72. Which of the following levels of market segmentation typically entails marketing to a small market whose needs are not well served?
- segment marketing
 - Niche marketing
 - Local marketing
 - Individual marketing
73. Market segments can be built-up in many ways, such as preference segments _____ preferences occur, when the market reveals distinct preference group, called natural market segments.
- clustered
 - Natural
 - homogeneous
 - diffused
74. A segmentation approach would develop _____ advertising campaigns focusing on each benefit purchased by the members of each segment.
- General
 - Separate
 - price oriented
 - Cost efficient
75. Market segmentation provides a focused approach to winning the game by answering the issues.
- which groups of users should we serve.
 - with whom we will compete.
 - neither a nor b
 - both a and b
76. A marketing manager's task is to identify variables that describe customers in terms of their own particular features. These variables are called
- demographic
 - descriptors
 - geographic
 - behavioural
77. _____ is the process of dividing a potential market into distinct sub-markets of consumers with common needs and features
- target marketing
 - differentiation
 - market segmentation
 - none of these
78. In _____ segmentation, buyers are divided into different groups on the basis of life style or personality and values.
- demographic
 - psychographic
 - behavioural
 - none of these
79. _____ is a market average strategy, in which company follows one product one segment strategy.
- concentrated marketing
 - market positioning
 - target marketing
 - none of these
80. When buyers have too narrow image of the brand, this error is

- a. under positioning
c. doubtful positioning
- b. over positioning
d. confused positioning
81. When product is positioned as offering the best value, it is called?
a. user positioning
c. product category positioning
- b. quality or price positioning
d. none of the above
82. _____ involves concentrating on the different needs of a customer group.
a. market specialization
c. product specialization
- b. selective specialization
d. none of these
83. In _____ company position itself on wn attribute such as size or number of years in existence.
a. benefit positioning
c. quality or price positioning
- b. attribute positioning
d. none of the above
84. _____ is the out of designing the company's offering and image to occur a distinctive plan in the target customers.
a. positioning
c. product differentiation
- b. image differentiation
d. none of the above
85. Generally, a niche is a small segment of the market that has some specific
a. satisfied need
c. basic need
- b. unsatisfied need
d. none of these
86. What type of major segmentation variable for business markets would be applicable to business customers that buy products or services based on urgency of need?
a. operating approaches
c. situational factors
- b. purchasing approaches
d. personal features
87. When marketing managers select, which segments to pursue, it is called
a. analyzing the competition
c. promoting the product
- b. selecting the taret market
d. consumer behavior analysis
88. The concept of segmentation is important because it inplies an indterstanding that consumers are
a. the same
c. homogeneous
- b. do not offer
d. heterogeneous
89. Why do a segmentation approach to the market is more efficient than a mass market approach?
a. Because money is spent only on those whom the manager has determined are potential customers.
b. Because money is spent on both customers and non-customers evenly.
c. Because customers are homogeneneus
d. Because consmuers tasters are all the same
90. Consider the following statement about segmentation?
1. Help in understanding needs of consumer.
2. Customer gets more customized product.
3. Does not enlavage innovation.
4. Helps in preparing a better competitive strategy.
Which of the statements given above is correct?
Codes
a. 1 2 b. 1 2 4 c. 1 2 3 d. none of the above
91. When companies try to create brand awareness among customers even before positioning the brand clearly in the market, it is called
a. doubtful positioning
- b. over positioning

- c. confused positioning d. under positioning
92. The requisite of segmentation, which is different on 4 Ps and programme is
a. substantial b. allersible c. differentiable d. actionable

93. Which variable is related to the marketing decision taken by an enterprise?

1. Internal variable 2. Marketing decision variable
3. sole variables 4. Demand variables

Select the correct answer using the codes given below

- a. 1 4 b. 1 2 c. 1 3 d. 3 4

94. To which of the following categories of business are cycle defined in years most related as an evaluation?

- a. Fast food, utilities and long distance telephone services
b. Retail shopping and movies
c. Ice cream, soft drinks and cold remedies
d. Durable goods replacement cycles

95. All of the issues below help to determine whether a particular segmentation scheme is useful except

- a. Do the people in different segments behave differently towards the product or service
b. would we use different marketing elements with the different segments
c. would the different segments behave differently of different marketing elements were used
d. if the different segments do not behave differently, then we would apply market segmentation

96. Which of the following are three important criteria on which a firm should base its segmentation strategy decisions?

- a. Measurable, substantial, differentiable b. Measurable, geographic, marketable
c. Measurable, meaningful, marketable d. None of the above

97. One of the criteria for a variable segment, is that it must be substantial. The means

- a. That the segment is one that is large enough to have sufficient sales and growth potential to offer long-run profits for the firm.
b. The segment is one that be easily reached
c. The size, profile and other relevant features must be measured
d. All of the above

98. The 'Times of India' publish local editors for different regions such as 'The Hyderabad Times' for its Hyderabad editors. Here, consumer market is segmented on the basis of

- a. geographic features b. psychographic features
c. demographic features d. none of the above

99. The _____ and _____ are the two elements of marketing strategy that determine the success of a product in the market place.

- a. target market, price b. target narket, product
c. product, price d. none of the above

100. Religion is one of the _____ factor that influence consumer benhaviour

- a. social b. personal c. cultural d. psychological

ANSWER KEYS'

1=B	2=C	3=A	4=B	5=A	6=D	7=A	8=A	9=D	10=C
11=A	12=B	13=D	14=C	15=C	16=C	17=B	18=B	19=B	20=D
21=A	22=D	23=A	24=C	25=C	26=A	27=D	28=B	29=B	30=D
31=C	32=C	33=A	34=A	35=A	36=C	37=C	38=D	39=A	40=C

41=B	42=B	43=B	44=A	45=D	46=B	47=B	48=B	49=A	50=D
51=B	52=D	53=A	54=C	55=A	56=B	57=D	58=A	59=A	60=D
61=A	62=C	63=D	64=C	65=D	66=C	67=B	68=C	69=A	70=A
71=A	72=B	73=A	74=B	75=D	76=B	77=C	78=B	79=A	80=B
81=B	82=A	83=B	84=A	85=D	86=D	87=B	88=D	89=A	90=B
91=A	92=C	93=B	94=D	95=D	96=A	97=A	98=A	99=D	100=C

PRACTICE SETS'

- Which is not a part of branch concept?
a. product mix b. brand image c. Brand franchise d. Brand Recognition
- An evolution of the Marketing discipline includes
a. Brand Management b. selling
c. mass production d. all of the above
- Re-defining relationship includes
a. Formation of business network b. Re-intermediation
c. Dis-intermediation d. All of the above
- What is the use of the internet in Marketing?
a. In product and Market extension b. In market target
c. In market research d. all of the above
- On-line marketing includes
a. Reason-orientation of on-line advertising b. Non Intrusiveness of on-line advertising
c. spatiality of on-line marketing d. all of the above
- What is the advantage of on-line marketing?
a. Making the location of marketer Irrelevant
b. Increasing feedback
c. Making the size of marketing irrelevant
d. all of the above
- Which is the barriers to on-line marketing?
a. security b. infrastructure barriers
c. customers resistance d. all of the above
- Which of the following factors affects to the planning of marketing programme?
a. marketing strategy b. marketing mix
c. demand variable d. all of the above
- Which factors determines the building up of a sales organization?
a. size of the unit b. organizational policy of the management
c. traditions and customs d. all of the above
- which is the element of promotion mix
a. public relation b. trade fairs and exhibitions
c. advertising d. all of the above
- _____ marketing is a new way of performing the task of marketing made feasible by the advent of new technology, namely the internet.
a. Rural marketing b. On-Line marketing
c. Green marketing d. social marketing

12. Which is the barriers to the adoption of online marketing?
a. Lack of availability of skills b. Lack of availability of funds
c. Lack of availability of technology d. Art of recording
13. Using the power of on-line networks, computer communications and digital interactive media to achieve marketing and business objectives , is called
a. tel-net and internet b. internet
c. security d. none of these
14. Which is not a part of promotion mix
a. cost b. publication c. printing d. broadcasting ot of home
15. The principal function of an electronic market is to facilitate the search for the
a. Required product or service b. Required marketing
c. Required market d. All of the above
16. The marketing concept involves
a. organization integration b. Compettion orientation
c. Customer orientation d. all of the above
17. Modern marketing consists
a. Marketing strategy and research b. Marketing effectiveness
c. Brand management d. All of the above
18. A brand is a
a. Product plan b. Product cost c. quality d. product or service name
19. A brand includes
a. combination of name and symbol b. design
c. symbol or number or words d. all of the above
20. A brand is a name, term, symbol, design combination of these which identifies the goods or services of one seller or group those sellers and differentiates them from of
a. other marketing b. Other sellers
c. other market d. other product or services
21. Which is the element of modern marketing?
a. It emphasizes mutuality of benefit b. it is customer oriented
c. it is operational d. all of the above
22. Which is the key feature of market as per Baker?
a. full use of all the company resources b. a long run perspective
c. start with the customer d. all of the above
23. Marketing is a human activity directed at satisfying needs and wants through exchange processes. Who said.
a. Philip Kotler b. Hansi L.V c. Peter F. Drucker d. D.S Pauler
24. The interner offers marketers a fast, versatile and inexpensive
a. communication medium b. cost of production
c. cost of construction d. all of the above
25. Product line covers
a. Departmental stores b. One price retailer
c. general retailer d. All of the above

26. Modern concept of marketing consists
a. co-ordination
b. Decision
c. Responsibility towards customers
d. All of the above
27. Marketing refers to the
a. goods distribution
b. Goods and services are exchange to each other
c. sales of product
d. all of the above
28. Functions of marketing management consists
a. determination the marketing objects
b. Marketing Planning
c. Marketing organization
d. all of the above
29. Which is the task of advertising?
a. providing information about the product
b. Image building
c. behavior reinforcement
d. all of the above
30. Which is the selling tasks?
a. Outside order taking
b. Inside order taking
c. Product delivery
d. All of the above
31. Which is the task of salesman?
a. develop product and market knowledge
b. Sales Pitch
c. Prospect for potential clients
d. All of the above
32. The procedure for segmenting the industrial markets is different than the
a. Industrial markets
b. Business markets
c. Consumer markets
d. All of the above
33. To manage a business well is to manage its future, and to manage the future is to manage information, this statement is related to
a. Effective marketing information
b. Promotion
c. Price
d. Effective sales planning
34. Market research on pricing includes
a. demand elasticities
b. Perceived prices
c. cost analysis
d. all of the above
35. Which concept of marketing is product oriented
a. old concept of marketing
b. entity concept of business
c. modern concept of marketing
d. all of the above
36. Which concept of marketing is customer oriented?
a. modern concept of marketing
b. Entity concept
c. old concept of marketing
d. all of the above
37. Which of the following is marketing oriental?
a. decentralized
b. consumer consideration dominate
c. braod product line
d. all of the above
38. Marketing orientation consists
a. emphasis on market price rather than cost
b. market research
c. external influence dominate objectives
d. all of the above
39. Which is the factor of Pricing decisions?

- a. controller
c. Flexibility in production
- b. Style and appearance prime consideration
d. all of the above

40. Which is the factor of pricing decisions?

- a. economic and political environment of the country
b. trade traditions
c. competition
d. all of these

ANSWER KEYS

1=A	2=D	3=D	4=D	5=D	6=D	7=D	8=D	9=D	10=D
11=B	12=D	13=D	14=A	15=A	16=D	17=D	18=D	19=D	20=B
21=D	22=D	23=A	24=A	25=D	26=D	27=D	28=D	29=D	30=D
31=D	32=A	33=A	34=D	35=A	36=A	37=D	38=D	39=D	40=D

PREVIOUS YEARS QUESTIONS'

DECEMBER 2018

1. Assertion Databases assist in market segmentation, especially behavioural segmentation such as developing loyalty segments.

Reason Customer relationship management database have become an asset for the analysis of customer behavior

Codes

- a. Both A and R are correct and R is the correct explanation of A
b. Both A and R are correct and R is not the correct explanation of A
c. Both A and R are incorrect
d. A is correct and R is incorrect.

2. Choose the correct code for the following statements being correct or incorrect.

Statement I A well chosen marketing channel must be aligned to company's marketing strategy with respect to segmentation, targeting and positioning.

Statement II Marketing channels are set of interdependent organisations participating in the process of making the product available for the use of consumption.

Codes

- a. Both statements are correct
b. both statements are incorrect
c. statement I is correct but statement II is incorrect
d. statement II is correct but statement I is correct

3. To examine whether the company is pursuing its best opportunities with respect to markets, products and channels is the purpose of which one of the following types of marketing control?

- a. annual plan control
c. efficiency control
- b. profitability control
d. strategic control

4. Match the items of list-I with the items of list-II and choose the correct answer from the code given below

List-I	List-II
a. the economy was characterized by small regional suppliers who sold goods on a local basis	1. Mass marketing
b. Standardised, branded goods were sold at national level	2. Hyper segmentation
c. Era of market differentiation based on demographic, socio-economic and life style factors	3. segmentation

d. technological advancements, especially in the area of digital communication allow marketers to communicate with individual consumers or very small groups.

4. fragmentation

Codes

	A	B	C	D
a.	1	4	2	3
b.	4	1	3	2
c.	4	1	2	3
d.	1	2	3	4

5. Which among the following is not included in seven Ps of marketing mix given by Booms and Bitner?

- a. Process b. people c. Physical evidence d. Politics

JULY 2018

6. Statement I A form of non-store retailing that uses advertising to contact consumers who, in turn, purchase products without visiting a retail store is called direct selling.

Statement II A form of non-store retailing in which personal contact between a sales person and a consumer occurs away from a retail store is called direct marketing.

In the light of above statements, identify the correct code of statements being correct or incorrect.

Codes

- a. statement I is correct but statement II is not correct
b. statement I is not correct but statement II is correct
c. both statements are correct
d. both statements are not correct

7. 34% of the customers who fall in one of the categories of diffusion process who are deliberate customers to accept an innovation just before the average adopter in a social system. Such customers who are above average in social and economic measures, rely quite a bit on advertisements and salesman are known as

- a. early adopters b. early majority c. late majority d. late adopters

8. when a company treats each single customer as a separate segment, this is called

- a. niche marketing b. nano marketing c. single marketing d. micro marketing

9. A reduction from the list price that is offered by a seller to buyer in payment for marketing functions, the buyers will perform is known as

- a. trade discount b. functional discount c. cash discount d. both a and b

NOVEMBER 2017

10. When Walt Disney worlds magic kingdom lets customers visit a fairy kingdom, a pirate ship, or a haunted house, then what is marketed in this example?

- a. services b. events c. experiences d. ideas

11. Which one of the following statements is true according to VALS framework of psychographic segmentation?

- a. the consumers who are primarily motivated by ideals are guided by knowledge and principles
b. the consumers who are motivated by achievement look for knowledge and principles
c. the consumers who are motivated by self expression don't desire social or physical activity, variety and risk
d. The consumers who are motivated by achievement desire social or physical activity variety and risk

JULY 2016

12. Which one of the following is the most likely result of marketing strategy that attempts to serve all potential customers?
- all customers will be delighted
 - customers perceived value will be increased
 - the company will need to follow up with a demarketing campaign
 - none of the above

DECEMBER 2015

13. When the consumers favour those products which offer the most quality, performance or innovative features, then it is called as
- production concept
 - product concept
 - sales concept
 - marketing concept
14. A persons distinguishing psychological characteristics that lead of relatively consistent and enduring response to his or her environment is called
- life style
 - self concept
 - personalty
 - attitude
15. In which of the following types of collective bargaining, one party gains at the expense of the others?
- distributive bargaining
 - integrative bargaining
 - centralized bargaining
 - none of these

JUNE 2015

16. The service marketing mix is an extended marketing mix and includes
1. people
 2. Process
 3. Service
 4. Physical evidence

Select the correct answer using the codes given below

- 2 3 4
- 1 2 3
- 1 2 4
- 1 3 4

17. A common market is one where
- all the trading nations agree commonly to levy a common and uniform tariff rate for all goods
 - all the trading nations agree commonly to rationalize tariff and non-tariff barriers mutually to promote intra region trade
 - there is a customs union along with free intra-union movement of factors of production
 - there is an economic union along with free intra-union movement of residents

18. Which of the following can be used by a company as communication mix to reach the target customers?

1. advertising
2. Sales promotion
3. Events and experiences
4. Public relations
5. direct marketing
6. Personal selling

Select the correct answer using the codes given below

- 1 2 4 6
- 1 2 5 6
- 1 2 4 5 6
- all of the above

19. a marketing network consists of
- the tasks to devise marketing activities
 - the tasks of hiring, training and motivating employees
 - the activities that help in designing and implementing the marketing programmes
 - the company and its supporting shareholders with whom it has built mutually profitable business relationships

20. Target marketing involves which of the following activities?

1. market positioning
2. Market targeting
3. market behavior
4. Market segmentation

Select the correct answer using the codes given below

- 1 2
- 2 4
- 1 2 4
- 2 3 4

21. Black box model in marketing relates to
a. marketing planning b. marketing mix
c. marketing control d. consumer behavior
22. Items, considered part of the augmented product, do not include
a. guarantee b. warranty
c. complementary products d. channels of distribution
23. Horizontal marketing system comprises of
a. the producer, wholesaler and retailer acting in a unified system
b. multichannel marketing
c. two or more marketing channels to reach one or more customer segments
d. two or more unrelated companies put together resources to exploit an emerging market
24. Which of the following is not a type of direct marketing?
a. direct mail marketing b. retail marketing
c. telemarketing d. email direct marketing

DECEMBER 2014

25. Marketing strategy development is also known as
a. marketing control b. marketing exercise
c. marketing planning d. situation analysis
26. Which of the following is not a method of segmenting a market?
a. behavioural segmentation b. psychographic segmentation
c. benefit segmentation d. customer segmentation

DECEMBER 2013

27. Which of the following is not the major component of holistic marketing?
a. relationship marketing b. integrated marketing
c. customer satisfaction d. socially responsible marketing
28. Which of the legislations listed below do not form part of the marketing environment of India?
a. the drugs and cosmetics act, 1940
b. the prevention of food and adulteration act 1954
c. the monopolies and restrictive trade practice act 1969
d. both b and c
29. In the model of consumer behavior given by Philip Kotler, what constitutes the marketing stimuli?
a. marketing environment b. four Ps of marketing
c. consumer needs and wants d. none of the above

JUNE 2013

30. Which of the following concepts is based on development, design and implementation of marketing programmes, processes and activities that recognize their breadth and interdependence?
a. product concept b. sales concept
c. societal marketing concept d. holistic marketing concept
31. The concept of marketing mix, consisting of the four Ps of marketing, was developed by
a. E. Jerome McCarthy b. Peter F. Drucker
c. Philip Kotler d. William J. Stanton

DECEMBER 2012

32. In marketing mix, which four Ps are covered?

- a. product, price, place, promotion b. product, price, power, promotion
c. product, price, penetration, promotion d. product, price, positioning, promotion

33. Which subject is relevant to the study of consumers behavior?

- a. Economic b. Psychology
c. sociology d. all of these

34. Which research includes all types of researchers into human motives, when it refers to qualitative research designed to uncover the consumers sub-consciousness or hidden motivations?

- a. motivational research b. marketing research
c. managerial research d. price research

JUNE 2012

35. Which concept of marketing is based on the assumption that superior products sell themselves?

- a. production b. marketing
c. societal d. product

36. market sub-divided on the basis of behavioural features is called

- a. segmentation b. aggregation
c. precision d. none of the above

37. Which one of the following is incorrect?

- a. marketers arouse emotional motives
b. marketers satisfy rational motives
c. marketers formulate different sales promotions for different motives
d. none of the above

38. non-store marketing includes

- a. home selling b. VPP
c. vending machines d. all of these

39. what is customer delight?

- a. performance equal to expectation b. performance less than expectation
c. performance more than expectation d. expectation more than performance

40. Which term are often used interchangeably in marketing literature?

- a. concept, method, philosophy b. Concept, approach, technique
c. orientation, concept, philosophy d. philosophy, system, concept

41. Which one of the following is not the fundamental procedure that should be considered for the collective bargaining?

- a. prenegotiation phase b. selective of negotiators
c. tactics and strategy bargaining d. none of the above

42. 'VSAT' technology is first followed for online trading by

- a. BSE b. OTCEI c. NSE d. ISE

43. What is mass marketing?

- a. offering the same products and marketing mix to all consumers
b. offering variety of products to the entire market
c. offering differentiated products to all customers
d. following concentrated marketing strategy

44. In broader sense, marketing communication includes

- a. product b. place c. price d. all of the above

45. what is relevant to place variable of marketing mix?

- a. branding b. price penetration
c. sales personnel motivation d. none of the above

46. Physical distribution provides

- a. place utility b. time utility
c. place and time utility d. form utility

ANSWER KEYS'

1=A	2=A	3=D	4=B	5=D	6=D	7=A	8=D	9=D	10=C
11=A	12=D	13=B	14=B	15=B	16=A	17=C	18=D	19=D	20=C
21=C	22=B	23=D	24=C	25=C	26=D	27=C	28=D	29=B	30=D
31=A	32=A	33=D	34=A	35=C	36=B	37=D	38=D	39=A	40=C
41=D	42=C	43=C	44=D	45=C	46=C				

UNIT-11

LEGAL ASPECTS OF BUSINESS

1) Law of contract is—

- a) not the whole of agreements nor is it the whole law of obligations
- b) the whole law of agreements
- c) the whole law of obligations
- d) none of the above.

2) A contract creates

- a) rights in personam ,
- b) rights in rem,
- c) only rights and no obligations ,
- d) only obligations and no rights.

3) An agreement is a voidable contract when it is –

- a) enforceable if certain conditions are fulfilled.
- b) enforceable by law at the option of the aggrieved party .
- c) enforceable by both parties
- d) not enforceable at all.

4) An agreement not enforceable by law is said to be

- a) void ,
- b) voidable,
- c) valid,
- d) unenforceable, do illegal.

5) A contract

- a) may be void as originally entered into
- b) may become void subsequent to its formation
- c) cannot become void under any circumstances
- d) may become void at the will of party.

6) The transactions collateral to an illegal agreement are

- a) not affected in any manner ,
- b) also tainted with illegality
- c) voidable at the option of the plaintiff
- d) void

7) A contract is

- a) a legal obligation
- b) an agreement plus a legal obligation
- c) consensus ad idem,
- d) agreement plus a legal object.

8) Flaw in capacity to contract may arise from –

- a) lack of free consent
- b) lack of consideration
- c) minority
- d) absence of legal formalities.

9) Which of the following result in an offer

- a) A declaration of intention
- b) an invitation to offer,
- c) an advertisement offering reward to anyone who finds lost dog of the advertiser,
- d) an offer made in a joke.

10) A specific offer can be accepted by

- a) any person
- b) any friend of offerer
- c) the person to whom it is made
- d) any friend of offeree.

11) A letter of acceptance sufficiently stamped and duly addressed is put into course of transmission. There is

- a) a contract voidable at the option of acceptor
c) no contract at all, b) a contract voidable at the option of offerer,
d) a valid
- 12) Acceptance may be revoked by the acceptor
a) at any time b) before the letter of acceptance reaches the offerer
c) after the letter of acceptance reaches the offeree d) before the death of the acceptor.
- 13) An advertisement to sell a thing by auction is
a) an offer b) an invitation to offer
c) no offer at all d) a contract e) an obligation.
- 14) On the face of the ticket for a journey the words —for conditions see back are printed in small print .The passenger –
a) is bound by the conditions whether he takes care to read them or not.
b) is not bound by the conditions
c) may not take note of the conditions
d) none of the above.
- 15) An offer is made to Mani in crowd It –
a) can be accepted by him alone, b) may be accepted by any person who hears it.
c) may be accepted by his brother d) may be accepted by his friends.
- 16) An acceptance is not according to the mode prescribed but the offerer decides to keep quiet. In such a case there is –
a) a contract, b) no contract,
c) a voidable contract, d) an unenforceable contract.
- 17) There is a counter-offer when
a) the offeree gives conditions for acceptance or introduces a fresh term in acceptance
b) the offerer makes a fresh offer
c) the offeree makes some query
d) the offeree accepts it.
- 18) A makes an offer to B on 10th by a letter which reaches B on 12 th B posts letter of acceptance on 14th which reaches A on 16th . The communication of acceptance is complete as against A on –
a) 12th b) 14th c) 16th
- 19) Consideration must move at the desire of –
a) the promisor, b) the promisee ,
c) promisor or any other third party , d) both the promisor and the promisee .
e) any third party
- 20) Consideration –
a) must move from the promisee , b) may move from the promisee or any other person
c) may move from the third party d) may move from the promisor.
- 21) Consideration
a) must be adequate to the promise made, b) need not be adequate to the promise made
c) must be of reasonable value d) must be of more value than the value of promise made.
- 22) Consideration must be something which the promisor –
a) is already bound to do , b) is not already bound to do.
c) may voluntarily do d) must not do.
- 23) Compromise of dispute claims –

a) is a good consideration for a contract
c) results in a void agreement

b) is not a good consideration for a contract
d) is not permitted by law.

24) A promise to compensate, wholly or in part, a person who has already voluntarily done something for the promisor is

a) enforceable
c) void

b) not enforceable because it is without consideration,
d) voidable.

25) A person who is not party to a contract

a) cannot sue,
c) can sue only in well recognized cases

b) can sue,
d) none of these.

26) Consideration in a contract –

a) may be past, present or future,
c) must be present only.

b) may be present or future only.
D) must be future only.

27) An agreement made without consideration is

a) valid, b) illegal, c) voidable

d) void

28) A promise to subscribe to a charity. The promise is a

a) valid contract,
c) void agreement

b) voidable contract,
d) void contract.

29) An agreement with or by minor is –

a) void
c) voidable at the option of the other party

b) voidable at the option of the minor
d) valid.

30) On attaining the age of majority a minor's agreement –

a) can be ratified by him
c) becomes void

b) cannot be ratified by him
d) becomes valid.

31) A minor, by misrepresenting his age, borrows some money –

a) he can be sued for the fraud,
c) he is liable to return the money

b) he cannot be sued for the fraud
d) None of the above.

32) A minor enters into a contract for the purchase of certain necessities, in such case –

a) he is not personally liable to pay
c) his estate is liable to pay

b) he is liable to pay
d) his guardian is liable to pay.

33) A person is usually of sound mind, but occasionally of sound mind –

a) he may enter in to a contract when he is of sound mind,
b) he may not make a contract even when he is of sound mind
c) he cannot enter into a contract at all.
d) None of the above.

34) A contract by an idiot is –

a) voidable b) enforceable

c) invalid

d) void

35) Contracts made before war with an alien enemy which are against public policy are –

a) suspended and are revived after the war is over.
c) not affected at all

b) dissolved
d) void

36) The contractual capacity of a company is regulated by –

a) its memorandum of association and the provisions of the companies act, 1956
b) the terms of contract entered into with a third party

- c) its articles of association
- d) its prospectus.

38) Flaw in a capacity to contract may arise from –

- a) want of consideration
- b) unsoundness of mind
- c) illegality of object
- d) uncertainty of object.

39) Where consent is caused by fraud or misrepresentation, the contract is –

- a) voidable at the option of the aggrieved party
- b) void
- c) unenforceable
- d) not affected in any manner.

40) Where both the parties to an agreement are under a mistake as a matter of fact essential to the agreement, the agreement is –

- a) void
- b) voidable
- c) illegal
- d) not affected at all.

41) Merely because a contract was caused by one of the parties to it being under a mistake as to a matter of fact, it is not –

- a) voidable
- b) void
- c) affected at all
- d) none of the above.

42) Consent given to a contract under some misrepresentation by the other party makes the contract –

- a) void
- b) invalid
- c) unenforceable
- d) voidable

43) When a person positively asserts that a fact is true when his information does not warrant it to be so, though he believes it to be true, there is –

- a) misrepresentation
- b) fraud
- c) undue influence
- d) coercion.

44) Fraud exists when it is shown that a false representation has been made

- a) knowingly
- b) unknowingly
- c) unintentionally
- d) recklessly, not caring whether it is true or false

45) A mere attempt at deceit by a party to a contract –

- a) is not fraud unless the other party is actually deceived
- b) is fraud whether the other party has been deceived or not
- c) amounts to misrepresentation
- d) none of the above.

46) When consent to an agreement is obtained by undue influence, the agreement is a –

- a) contract voidable at the option of the party whose consent was so obtained
- b) void contract.
- c) valid contract
- d) void agreement.

47) Which of the following relationships raise presumption of undue influence?

- a) landlord and tenant
- b) parent and child
- c) doctor and patient
- d) Husband and wife
- e) Fiancé and fiancée
- f) creditor and debtor.

48) If there is error in cause, the contract is

- a) void
- b) voidable
- c) valid
- d) illegal

49) If there is error in consensus, the agreement is

- a) void
- b) voidable
- c) avoid
- d) illegal
- e) not affected at all.

50) If there is a unilateral mistake as regards identity of a party caused by fraud of the other party, the contract is –

- a) void
- b) voidable
- c) valid
- d) illegal

51) If there is a fraudulent misrepresentation as to the contents of a document, the contract is –

- a) void
- b) voidable
- c) valid
- d) illegal

52) If there is a fraudulent misrepresentation as to the character of a document, the contract is –

- a) void
- b) voidable
- c) valid
- d) illegal

54) A promise made without the intention of performing it amounts to –

- a) innocent misrepresentation
- b) fraud
- c) negligent misrepresentation
- d) wrongful misrepresentation

55) The unlawful detention of any property of a person to obtain his consent to a contract amounts to

- a) misrepresentation
- b) fraud
- c) undue influence
- d) coercion.

56) The collateral transactions to an illegal agreement are

- a) Void,
- b) illegal,
- c) voidable,
- d) not affected at all

57) An agreement made with an alien enemy is

- a) unlawful on the ground of public policy
- b) unlawful because it becomes difficult to be performed
- c) valid,
- d) voidable.

58) A person enters into an agreement whereby he is bound to do something which is against his public or professional duty. The agreement is –

- a) void on the ground of public policy
- b) valid
- c) voidable
- d) illegal

59) Regulation as to the opening and closing of business in a market are

- a) not unlawful even if they are in restraint of trade.
- b) unlawful because they are in restraint of trade.
- c) void
- d) not valid

60) An employee, by the terms of his service agreement, is prevented from accepting a similar engagement after the termination of his service. The restraint –

- a) valid
- b) void
- c) illegal
- d) unenforceable

62) A contract of life insurance is

- a) a contract of indemnity
- b) not a contract of indemnity
- c) a wagering agreement
- d) a contingent agreement.

63) An agreement the meaning of which is not certain is

- a) void
- b) voidable
- c) valid
- d) illegal

64) Which of the following are wagering agreements,-

- a) a crossword competition the prizes of which depend upon correspondence of the competitors' solution with a previously prepared solution,

- b) picture puzzles ,
 c) share market transactions in which delivery of stocks and shares is intended to be given and taken
 d) a contract of insurance,
 e) an agreement to buy a ticket for a lottery.
 f) commercial transactions , if the intention is not to deliver the goods but only to pay the difference in price
 g) a crossword competition involving a good measure of skill for its successful solution.

65) An agreement to do an impossible act is,
 a) void b) voidable c) illegal d) enforceable under certain circumstances.

66) A wagering agreement is .
 a) forbidden by law, b) immoral,
 c) opposed to public policy d) none of the above.

67) A contract of insurance is a –
 a) contract of guarantee b) contingent contract
 c) wagering agreement d) unilateral agreement.

68) Which of the following are contingent contracts?
 a) contract of insurance b) contract of guarantee ,
 c) contracts for the sale of goods on credit d) Wagering agreements

69) A contingent contract is –
 a) void b) voidable c) valid d) illegal

70) A contract to pay B Rs. 10,000 if B's house is burnt – This is a
 a) wagering agreement b) void
 c) voidable agreement d) contingent contract
 e) contract of guarantee .

71) A agrees to pay B Rs. 2000 if a certain ship does not return at Mumbai port within a year .A promise can be enforced when the ship
 a) arrives Mumbai in a damaged condition during the year
 b) is lost during the year
 c) is sunk during the years
 d) arrives Mumbai in a good condition during the year.

72) Promises forming consideration for each other are known as,
 a) independent promises b) dependent promises
 c) reciprocal promises. d) mutual promises

73) Each party is a promisor and a Promisee in case of –
 a) past consideration b) present consideration
 c) every contract d) reciprocal promises

74) When promisee refuses to accept performance from the promisor who offers to perform ,it is –
 a) attempted performance , b) vicarious performance ,
 c) tender d) frustration of contract.

75) Sale of goods for cash is an example of –
 a) mutual and independent promises b) mutual and dependent promises
 c) mutual and concurrent promises d) conditional and dependent promises,.

76) When a party to a contract transfers his contractual rights to another , it is known as , -

a) rescission of contract
c) discharge of contract,

b) waiver of contract
d) assignment of contract.

77) Where the debtor does not expressly intimate or where the circumstances attending on a payment do not indicate any intention, the creditor –

a) may apply it to any lawful debt due

b) May apply it even to a time barred debt.

78) When two or more persons have made a joint promise, then unless a contrary intention appears from the contract, all such persons must fulfill the promise –

a) jointly

b) severally

c) jointly and severally

d) jointly or severally

79) Assignment by operation of law takes place –

a) by the mutual consent of parties

b) by the will of either party

c) when the subject matter of a contract ceases to exist

d) by the death of a party to a contract.

80) A who owes Rs. 10000 to B dies leaving an estate of Rs. 6000. The legal representation of A are –

a) Liable for Rs. 10000

b) liable for Rs. 6000

c) not liable at all

d) liable for Rs. 3000.

81) Owing to a strike in the factory of A, he is not able to supply the goods to B as per the terms of the agreement > The agreement in such a case

a) is discharged

b) is not discharged

c) becomes void

d) is voidable at the option of A.

82) If a contract contains an undertaking to perform an impossibility, the contract is

a) void ab initio

b) void

c) voidable at the option of the plaintiff

d) illegal

83) An agreement to do an act impossible in itself –

a) is void,

b) is voidable

c) is void ab initio

d) becomes void when impossibility is discovered

84) If a new contract is substituted in place of an existing contract, it is called –

a) alteration

b) rescission

c) novation

d) waiver,

e) remission

86) A lends Rs. 500 to B. He later tells B that he need not repay the amount, the contract is discharged by –

a) breach

b) waiver

c) novation

d) performance

87) A contract has become more difficult of performance due to some un-contemplated events or delays. The contract –

a) is discharged

b) is not discharged

c) becomes void

d) becomes voidable.

88) Where a contract could not be performed because of the default by a third person on whose work the promisor relied, it –

a) is not discharged

b) is discharged

c) becomes void

d) becomes voidable.

89) A creditor agrees with his debtor and a third party to accept that third party as his debtor. The contract is discharged by, –

a) performance

b) alteration

c) waiver

d) remission

e) remission

91) A undertakes to paint a picture of B. He dies before he paints the picture. The contract –

- a) is discharged by death
 b) becomes voidable
 c) becomes voidable at the option of the legal representatives of A.
 d) will have to be performed by the legal representatives of A.

92) The court may grant rescission where the contract is

- a) voidable at the option of the plaintiff
 b) void
 c) unenforceable
 d) illegal

93) The foundation of modern law of damages was laid down in , -

- a) Tinn v . Hoffman
 b) Taylor v. Caldwell
 c) Hadley v. Baxendale
 d) Addis v. Gramophone

94) Specific performance may be ordered by the court when -

- a) the contract is voidable
 b) damages are an adequate remedy
 c) damages are not an adequate remedy
 d) the contract is uncertain.

95) The measure of damages in case of breach of a contract is the difference between the -

- a) contract price and the market price at the date of breach
 b) contract price and the maximum market price during the term of the contract
 c) contract price and the price at which the plaintiff might have sold the goods ,
 d) contract price and the price fixed by court.

96) The case of Hadley v. Baxendale (1854) deals with

- a) anticipatory breach of contract.
 b) quantum of damages
 c) supervening impossibility
 d) quasi contract.

97) Anticipatory breach of a contract takes place -

- a) during the performance of the contract
 b) at the time when the performance is due.
 c) before the performance is due
 d) at the time when the contract is entered into.

98) In case of a wrongful dishonor of a cheque by a banker having funds to the credit of the customer , the court may award----

- a) ordinary damages ,
 b) nominal damages
 c) exemplary damages
 d) contemptuous damages.

99) Ordinary damages are damages which---

- a) arise in the usual course of things from the breach
 b) which are in the contemplation of the parties at the time when the contract is made
 c) are agreed in advance
 d) are given by way of punishment for breach of contract.

100) A agreed to sell 100 shares to B at Rs. 75 per share delivery to be given on the 1st march , B refused to accept delivery on 1st march as price had gone down to Rs. 60 per share .Subsequently A sold these shares at Rs.92 per share -

- a) A cannot recover any damages from B
 b) A will have to restore to B Rs. 1700 i.e. the profit he made
 c) A can recover damages to be determined by the President of the stock exchange.

101) Exemplary damages are -

- a) allowed in case of dishonor of a cheque by a banker having sufficient funds
 b) the difference between the contract price and the market price
 c) allowed where in case of breach of a contract , the plaintiff has not suffered any loss.
 D) none of these.

102) A quasi contract –

- a) is a contract
- b) as an agreement
- c) creates only legal obligation
- d) is none of these

103) when an agreement is discovered to be void, any person who has received any advantage under such agreement

- a) is bound to restore it
- b) is not bound to restore it
- c) is not bound to return it.
- d) may retain it
- e) none of these

104) A minor has been supplied necessities on credit

- a) he is not liable
- b) he is personally liable
- c) his estate is liable
- d) he is not personally liable

105) A person who finds good belonging to another and takes them into his custody, is subject to the same responsibility as a

- a) bailee
- b) true owner
- c) bailor
- d) pledge.

106) A finder of lost goods is a –

- a) bailor
- b) Baile
- c) true owner
- d) thief

107) Quantum meruit means –

- a) a non gratuitous promise
- b) an implied promise
- c) as much as earned
- d) as much as is paid.

108) A contract of indemnity is a –

- a) a contingent contract
- b) wagering contract
- c) quasi contract
- d) void contract

109) The definition of a contract of indemnity as given in the Indian contract act, 1872 includes

- a) express promises to indemnity
- b) implied promises to indemnity
- c) cases where loss arises from accidents and events not depending on the conduct of the promisor or any other person
- d) cases where the loss is caused by the conduct of the promisor himself or by the conduct of any person

110) S and P go into a shop, S says to the shopkeeper, C let P have the goods and if he does not pay you, I will – This is a –

- a) contract of guarantee
- b) contract of indemnity
- c) wagering agreement
- d) quasi contract

111) Any variance made without surety's consent in the terms of the contract between the principal debtor and the creditor discharges the surety –

- a) as to transactions prior to variance
- b) as to transactions subsequent to variance
- c) as to all transactions
- d) from his liability under the guarantee.

112) A guarantee obtained by a creditor by keeping silence as to material circumstances is –

- a) valid
- b) voidable
- c) unenforceable
- d) invalid

113) Where there are co-sureties, a release by the creditor of one of them –

- a) discharges the other co-sureties
- b) does not discharge the other co-sureties
- c) makes all the co-sureties immediately liable
- d) makes the contract of guarantee void.

114) The right of subrogation in a contract of guarantee is available to the

- a) creditor
- b) principal debtor
- c) surety
- d) indemnified

115) The omission of the creditor to sue within the period of limitation –

- a) discharges the surety
- b) does not discharge the surety
- c) makes the contract of guarantee void
- d) makes the contract of guarantee illegal.

116) In a sale, the property in goods –

- a) is transferred to the buyer ,
- b) is yet to be transferred to the buyer
- c) may be transferred at a future time
- d) is transferred when goods are delivered to the buyer e) is transferred when the buyer pays the price

117) In a sale ,if the goods are destroyed , the loss falls on –

- a) the buyer
- b) the seller
- c) partly on buyer and partly on seller
- d) the seller if price has not been paid
- e) by the buyer.

118) The term property as used in the sale of goods act 1930 means

- a) possession
- b) ownership
- c) ownership and possession both
- d) the subject matter of contract of sale.

119) If a price is not determined by the parties in a contract of sale , the buyer is bound to pay –

- a) the price demanded by the seller ,
- b) a reasonable price
- c) the price which the buyer thinks is reasonable
- d) the price to be determined by a third independent person.

120) The doctrine of caveat emptor applies –

- a) incase of implied conditions and warranties
- b) when the buyer does not intimate the purpose to the seller and depends upon his own skill and judgment
- c) when goods are sold by sample
- d) when goods are sold by description

BUSINESS LAW MCQs

1. The Contract Act of 1872 was enacted on

- A. 25th April, 1872
- B. 25th May, 1872
- C. 25th June, 1872
- D. None of above

2. The Contract Act 1872 was enforced on

- A. First day of July, 1872
- B. First August, 1872
- C. 1st September, 1872
- D. None of these

3. The Contract Act, 1872 consists ____ sections

- A. 238
- B. 248
- C. 266
- D. None of these

4. Definitions are provided in section ____ of The Contract Act

- A. 2
- B. 3
- C. 4
- D. None of these

5. When one person signifies to another his willingness to do or to abstain from doing any thing with a view to obtaining the assent of that other person to such act or abstinence he is said to make a

- A. Proposal
- B. Promise
- C. Both (a) and (b)
- D. None of these

6. When the person to whom the proposal is made signifies his assent thereto the proposal is said to be accepted than its called

- A. Proposal **B. Promise** C. Agreement D. None of these
7. The person making the proposal is called
A. Promiser B. Promisee C. Both of above D. None of above
8. The person to whom proposal is made is called
 A. Promisor **B. Promisee** C. Both of above D. None of above
9. Every promise and every set of promises forming the consideration for each other
 A. A proposal B. An offer **C. An agreement** D. None of above
10. There are ____ essential ingredients of a contract
 A. 2 **B. 3** C. 4 D. None of above
11. The Indian Contract law is based on
(a) English law (b) Australian law
 (c) American law (d) French law
12. Section 2(b) defines, "When the person to whom the proposal is made, signifies his assent thereto, the proposal is said to be accepted. A proposal when accepted becomes a/an
 (a) Contract (b) Agreement
(c) Promise (d) Offer
13. An advertisement inviting tender is
 (a) An invitation for negotiations (b) A proposal
(c) An invitation for proposal (d) A promise
14. In order to convert a proposal into a promise, the acceptance must
 (a) Be clear (b) Be absolute
 (c) Be unqualified **(d) Be absolute and unqualified**
15. Goods displayed in a shop window with a price label will amount to
 (a) Offer **(b) Invitation to offer**
 (c) Acceptance of offer (d) None of these
16. The difference between an advertisement for sale and a proposal is
 (a) No difference at all
(b) That a proposal becomes a promise as soon as the party to whom it is made accepts it but an advertisement does not
 (c) Every case will be viewed according to the circumstances
 (d) None of these
17. An agreement to agree in future upon terms to be settled afterwards between the parties is
 (a) Valid **(b) Not valid** (c) Illegal (d) Voidable
18. Cross offer do not constitute a contract because
(a) there is no acceptance (b) there is implied acceptance
 (c) crossing implies cancellation (d) it amounts to counter offer
19. A contract or an obligation to perform a promise could arise in the following ways
(a) By agreement and contract (b) By standard form of contracts
 (c) By promissory estoppel (d) None of the above
20. When the offers made by two persons to each other containing similar terms of bargain cross each other in post, they are known as

- (a) Cross offers
(c) Direct offers
- (b) Implied offers
(d) Expressed offers

21. Communication of acceptance is not necessary

- (a) By performance of conditions of the offer by offeree
(b) By acceptance of consideration by the offeree
(c) By acceptance of benefit/service by the offeree
(d) All the above

22. General offers open for world at large can be accepted by

- (a) Any person in the world
(b) Any person within the country
(c) Any person who complies with the conditions of the offer
(d) Any person who reads the advertisement

23. When the proposal or acceptance is made other wise than words, the promise is said to be

- (a) Expressed (b) Implied (c) Accepted (d) Rejected

24. If the communication is made by an un-authorised person, it does not result in a/an

- (a) Contract (b) Agreement (c) Offer (d) Consideration

25. Which section of Law of Contract defines, "A proposal may be revoked at anytime, before the communication of its acceptance is complete as against the proposer, but not afterwards."

- (a) Section 5 (b) Section 4 (c) Section 6 (d) Section 7

26. A promisee is

- (a) A person who makes a promise
(b) A person who monitors the statement of intentions of two parties
(c) A person to whom the promise is made
(d) None of these

27. Voidable contract is one

- (a) Which is lawful
(b) Which is invalid
(c) Which is valid so long it is not avoided by the party entitled to do so
(d) None of these

28. An offer comes to an end by

- (a) acceptance (b) communication
(c) revocation (d) none of the above

29. When counter offer is given, the original offer

- (a) Lapses (b) Remains valid
(c) Is accepted and becomes a contract (d) The original offer can also be accepted

30. An advertisement for sale goods by auction

- (a) Amounts to an invitation to offer (b) Amounts to an offer to hold such sale
(c) Amounts to an implied offer (d) Amount to a general offer

31) The promisee in a contract of indemnity, acting within the scope of his authority, is entitled to recover from the promise :

- A) All damages which he may be compelled to pay in any suit in respect to any matter to which he promise to indemnity applies
B) All costs which he may be compelled to pay in any such suit
C) All sums which he may have paid under the terms any compromise of any such suit

D) All of the above

32) A contract to perform the promise, or discharge the liability, of a third person in case of default is known as :

- A) Contract of indemnity
B) Contract of guarantee
C) Contingent contract
D) Quasi contract

33) Section 128 of Indian Contract Act 1872 provides :

- A) Surety's liability
B) Continuing guarantee
C) Revocation of Continuing guarantee
D) Consideration for guarantee

34) A guarantee which extends to a series of transaction is known as :

- A) Specific guarantee
B) Continuing guarantee
C) Both (A) and (B)
D) None of the above

35) The death of the Surety operates in the absence of any contract to the contrary, as a Revocation of a Continuing guarantee, so far as regards future transactions, it is given in :

- A) Section 131
B) Section 132
C) Section 133
D) Section 134

36. The Sale of Goods Act, was enacted on

- A. 15th, February, 1930
B. 15th, March, 1930
C. 15th, April, 1930
D. None of above

37. The Sale of Goods Act, was enforced on

- A. 1st day of May, 1930
B. 1st day of June, 1930
C. 1st day of July, 1930
D. None of above

38. The sale of Goods Act, 1930 contains

- A. 66 Sections
B. 68 Sections
C. 70 Sections
D. None of above

39. The Sale of Goods Act, 1930 is based on

- A. US Sale of Goods Act
B. English Sale of Goods Act
C. Indian Sale of Goods Act
D. None of above

40. Section 2, of The Sale of Goods Act is about

- A. Principles
B. Definitions
C. Exceptions
D. None of above

41. As per-section 2(1), a person who buys or agrees to buy goods is called

- A. Buyer
B. Seller
C. Both (a) and (b)
D. None of above

42. The voluntary transfer of possession from one person to another is called

- A. Transfer
B. Change of possession
C. Delivery
D. None of above

43. Section 2, sub-section____, of the Sale of Goods Act, 1930 defines "Goods"

- A. 5
B. 6
C. 7
D. None of above

44. As per section 2, sub section 7 every kind of moveable property other than actionable claim and money is called

- A. Goods
B. Future goods
C. Both (a) and (b)
D. None of above

45. Future goods means goods to be manufactured or produced or acquired by the seller

- A. In future prescribed time
C. Before making of contract

- B. After making of contract
D. None of above

46. As per section 2 sub-section 8, of the Sales of Goods Act, insolvent means a person

- A. Who has ceased to pay his debts in the ordinary course of business
B. Or can not pay his debts as they become due
C. Both (a) and (b)
D. None of above

47. The agent having in customary course of business as such agent authority either to sell goods or to consign goods for the purpose of sale or to buy goods or to raise money on the security of goods is called

- A. Agent
C. Partner
B. Mercantile agent
D. None of above

48. As per section 2(12), of the Sale of Goods Act, quality of goods include

- A. State of goods
C. Both (a) and (b)
B. Conditions of goods
D. None of above

49. The goods identified and agreed upon at the time a contract of sale is made are called

- A. Ordinary goods
C. Scheduled goods
B. Specified goods
D. None of above

50. Section 4, of the Sale of Goods Act 1930, deals with

- A. Sale
C. Both (a) and (b)
B. Agreement to sell
D. None of above

51. As per section 4(2), of The Sale of Goods Act, a contract of sale may be

- A. Absolute
C. Both (a) and (b)
B. Conditional
D. None of above

52. There are____, essential requisites of sale

- A. 2
B. 3
C. 5
D. None of above

53. According section 5(2) Subject to provision of any law for the time being in force a contract of sale may be

- A. Made in writing
B. By words of month
C. Partly in writing or partly in words of month
D. All of above ways

54. Section 12, of the Sale of Goods Act deals with

- A. Condition in contracts
C. Both (a) and (b)
B. Warranty in contracts
D. None of above

55. A stipulation in contract of sale with reference to goods which are the subject there of may be

- A. A condition
C. Both (a) and (b)
B. A warranty
D. None of above

56. As per the Negotiable Instruments Act 1882, the term negotiable means..

- a) Money
c) Can be passed
b) Transferable
d) Bargaining

Negotiable term in Negotiable Instruments Act 1882 means the value in it which is transferable from one person to another.

57. The term Negotiable Instruments is

- a) A written document that transfers the value in it from one person to other
- b) A written document entitled on an individual by delivery or endorsement
- c) A written document, entitled on a person to receive money

d) All of the above

Explanation

The Negotiable Instrument is a written document, that entitles a person to a sum of money, which is transferable from one party (payer) to another party (payee) by means of delivery or endorsement & delivery. (Sec13)

58. Which of the followings is not the Negotiable Instruments...

- a) Currency Note
- b) Promissory Note
- c) Bill of Exchange
- d) Cheques

Explanation

Currency is a legal tender, guaranteed by the government to transfer value but the Negotiable Instruments have following characteristics.

- 1- It is written document, signed and stamped by the maker/drawer
- 2- It has a specific payee to whom the value is transferable
- 3- Negotiable Instruments requires acceptance and endorsement

59. In Negotiable Instruments Act, the Bill of Exchange is covered under which section...

- a) Section 4
- b) Section 5
- c) Section 6
- d) Section 13

60. Which of the Followings are not the Negotiable Instruments as defined by the Statute...

- a) Banker's Note
- b) Promissory Note
- c) Bill of Exchange
- d) Cheques

Explanation

According to Negotiable Instruments Act 1882, Promissory Note, Bill of Exchange and Cheques are the instruments as defined by the statute (law). Banker's note also performs like a Promissory Note and guaranteed by the government, but Banker's note is said to be the Negotiable Instruments by custom (trade practices).

61. Which of the followings are defined as Negotiable Instruments by Custom (Trade Practices)...

- a) Banker's Note
- b) Share Certificates
- c) Share Warrants
- d) Dividend Warrants
- e) All of the above

Explanation

The instruments which are not mentioned in the Negotiable Instruments Act, but are acquired as the Negotiable Instrument by usage or custom of Trade.

62. According Negotiable Instruments Act, the Promissory Note is ...

- a) A document written and Signed by the payer/maker
- b) Containing an unconditional undertaking
- c) To pay a certain sum of money only to a specific person or the bearer

d) All of the above

63. Along with all the above conditions, the maker of the promissory note need to paste a revenue stamp on it and sign across the stamp. The parties which are involved in the Promissory notes are...

- a) The Maker
- b) The Payee
- c) Endorsee
- d) All of the above

Explanation

The person who promises to pay money through Promissory Note is called as the maker (payer/drawer) and the person to whom the money is to be received is called as Payee/Drawee.

64. As per Negotiable Instrument Act, the Promissory Note may also contain the promise of delivery of things along with money...

a) True b) False

Explanation: As per Negotiable Instrument Act, The promissory note must be a legal tender (money) of India. If the Promissory Note promises to pay something other than money is not a valid instrument

Ex: I promise to deliver 100 bags of wheat to 'B' and Rs. 50000 is not a valid promissory note.

65. Promissory note, prepared by ...

a) The Creditor

c) The Surety
d) The Seller

The promissory note is prepared by the payer in the consideration to make payment of a specific amount to the seller. Hence Promissory note is prepared by the Debtor (payer/maker/drawer/buyer of goods).

66. When the payment is to be made immediately by means of Bill of Exchange, such bill is called as ...

a) Term Bill

c) Sight Bill d) Ready Bill

When the payment is to be made immediately by means of Bill of Exchange, such bill is called as Sight Bill.

67. When the payment is to be made on a fixed date by means of Bill of Exchange, such bill is called as ...

a) Term Bill b) Faster Bill

c) Sight Bill d) Ready Bill

When the payment is to be made on a fixed date by means of Bill of Exchange, such bill is called as Term Bill.

68. The Bill of Exchange is Prepared by...

a) The Creditor b) The Debtor

c) The Surety d) The Buyer

The Bill of Exchange is prepared by the seller after selling the goods to a buyer, mentioning the sum of money is receivable from the buyer. Since the Bill of Exchange is prepared to ensure the money receivable, the maker of Bill of Exchange is called as the Creditor/Drawer/ Maker / Seller.

69. The payer of Bill of Exchange is also called as the Acceptor...

a) True b) False

Since the buyer has to make payment against the goods purchased, he will be the Payer. The Bill of Exchange is prepared by the seller to receive money against goods sold, which the Buyer needs to accept to make payment to the Seller, hence he also becomes the Acceptor. Since 'B' has to make payment to 'S', he will be also the Drawee/ Debtor.

70. The person who is drawer of a Bill of Exchange is also a payee...

a) True b) False

Since the Bill of Exchange is prepared by the seller of goods to receive money from the buyer, hence the drawer of Bill of Exchange will also become the payee. Sometimes the Drawer of Bill of Exchange can also collect the money through his/her Agent.

71. The difference between the Promissory note and the cheque is...

a) The Cheque has limited validity

b) Cheques are drawn on a specific bank

c) Cheques can be crossed for safety purpose

d) Cheques do not have any grace period after its expiry

e) All of the above

72. Payment through bearer cheques are said to be the unsafe method.

a) True

b) False

- If a bearer cheque (non crossed) is lost, the finder can cash it, unless the bank is notified in time to stop the payment.
- It does not require endorsement.

- If the bearer cheque is lost or payment is made to a wrong person, bank has no responsibility for it.
- It is not a safe method of payment

73. If the bearer cheque (non crossed) is lost or payment is made to a wrong person, bank can be held responsible for it...

- a) True b) False

Since the amount through bearer cheque is payable on demand to the bearer or to the presenter and It does not require endorsement, if it is presented by a wrong person, banks will not ask for the identity proof, hence, if the bearer cheque is lost or payment is made to a wrong person, bank has no responsibility for it.

74. Which of the followings is the characteristics of Negotiable Instrument

- a) Freely Transferable
b) Title of the Holder must be free from all defects
c) The title of the Drawer must be free from all defects
d) All of the above

The Negotiable Instrument is considered to be valid if it is unconditional (freely transferable), and the title of the holder and the drawer must be free from all types of defects, may it be name, signature, date etc.

75. Bill of Exchange drawn in Parts are called as...

- a) Bills in Set b) Escrow
c) Documentary Bills d) Attached Bills

76. _____ is a bill to which the document of title to the goods and other documents are attached ...

- a) Bills in Set b) Escrow
c) Documentary Bills d) Attached Bills

Documents of title include a bill of lading, dock warrant, dock receipt, warehouse receipt, and order for the delivery of goods, insurance of goods etc. Such bills are called as Documentary Bill.

77. A Negotiable Instrument which is delivered conditionally or for the purpose as a collateral security or for the safe custody only and not for the purpose of transferring absolutely the property therein is called as...

- a) Custody Bill b) Escrow c) Bill in Sets d) Security Bills

Explanation

Escrow is a bond, deed, or other document kept in the custody of a third party and taking effect only when a specified condition has been fulfilled.

FAQ on Negotiable Instruments Act, 1881

Drawer: The maker of a bill of exchange is called the 'drawer'.

Drawee: The person who is to pay the money by the drawer is called the 'drawee',

Acceptor: If someone else accepts the money in place of the drawee then he is called the 'acceptor'.

Payee: Payee is the person to whom the money is to be paid as directed by the instrument. He is considered to be the actual beneficiary. Where he signs his name and makes the instrument payable to some other person, that other person does not become the payee.

Indorser: When the holder transfers the instrument to someone else, the holder becomes the 'indorser'.

Indorsee: The person to whom the bill is indorsed is called an 'indorsee'.

Holder: A person who is legally entitled to the possession of the negotiable instrument in his own name and to receive the amount thereof, is called a 'holder'.

78. On the face of cheque at the upper left corner two parallel lines with or without written words as '& company', such crossing is called as ...

- a) Restrictive Crossing
- b) Special Crossing
- c) Nominal Crossing
- d) General Crossing

79. On the face of cheque at the upper left corner two parallel lines with Bankers name and written words as 'Not Negotiable', such crossing is called as ...

- a) Restrictive Crossing
- b) Special Crossing
- c) Nominal Crossing
- d) General Crossing

80. When the cheque is not transferred physically to the drawee bank for the purpose of clearing, such cheques are called as...

- a) Truncated Cheques
- b) Electronic Cheques
- c) ECS Cheques
- d) Duplicate Cheques

Explanation

Truncation means conversion into another form. In this case, the physical cheque is converted into an electronic image, which is transferred to drawee bank for the purpose of clearing. Such process is called as CTS- Cheque Truncation System. This allows to save time and cost of sending physical cheques for clearing purpose.

81. In case of Cheque as Negotiable Instrument, the Payer's (who prepares to cheque) bank is called as...

- a) Drawer
- b) Drawee
- c) Indorser
- d) None of the above

Explanation

Drawee: is the Drawer's Bank, where he/she has his/her bank account, who will make the payment on account of Drawer.

82. In case of Cheque as Negotiable Instrument, the Payer- who prepares the cheque to pay the dues is called as...

- a) Drawer
- b) Drawee
- c) Payer
- d) Payee

Explanation

Drawer: is the person who is making the instrument for making the payment, is also called as holder by the Drawer's Bank.

83. In case of Cheque as Negotiable Instrument, the Person, on whose name the cheque is drawn, to pay the dues is called as...

- a) Drawer
- b) Drawee
- c) Payer
- d) Payee

Explanation

Payee: is the person, who is entitled to receive money.

84. Which of the followings is the reason for dishonor of cheque...

- a) The Cheque is Ambiguous(uncertain)
- b) Insolvency of the Drawer
- c) Insufficient Balance in the Drawers account for clearing
- d) Signature of the Drawer is not matching with the specimen
- e) Presenting a post dated cheque before the mentioned date
- f) All of the above

85. Which of the followings is the reason for dishonor of cheque...

- a) The cheque is become Stale (Expired) (after 3 months)
- b) Holder has given a notice of loss of cheque
- c) Cheque is not presented in normal banking hours
- d) Death of the payee, is informed to the bank
- e) The drawer has issued a notice to the Bank to stop the payment
- f) All of the above

86. Payment through the Negotiable Instrument valid till a specific period until its maturity (expiry), such period/ course is called as...

- a) Holder in Due Course b) Validity of Negotiable Instrument
c) **Payment in Due Course** d) None of the above

Explanation

The person who is entitled to receive the amount in Negotiable instrument, may receive the payment from the date of its preparation or from the day it becomes payable until the period of validity/maturity/expiry. Such period is called as Payment in due course, means not before and after the valid date.

87. A person, who is entitled to possess the instrument in his own name and also entitled to receive the amount mentioned in it is called as....

- a) **Holder** b) Withdrawer c) Payer d) Claimant

Explanation

As per Sec (8) of Negotiable Instrument Act, Holder of Legally Approved Negotiable Instruments (i.e. Cheque, Bills of Exchange & Promote) is a person, who is entitled to possess the instrument in his own name and also entitled to receive the amount mentioned in it.

88. As per Sec (8) of Negotiable Instrument Act, Holder of any Negotiable instruments has to satisfy following conditions...

- a) Must be entitled to receive the amount mentioned in it
b) Must have received the instrument in good faith
c) Must have certain consideration
d) The instrument must be obtained in due course of time
e) **All of the above**

89. The holder of the negotiable instrument has to present the instrument for the purpose of receiving the claim (value or goods)...

- a) **True** b) False

Explanation

The holder of the negotiable instrument has to present the instrument for the purpose of receiving the claim (value or goods), called as Presentment. The presentment of negotiable instrument is made for either; For Acceptance (Bill of Exchange) For Payment (Promote & Cheque).

90. When the Negotiable Instrument is presented/sent by the payee to the drawer/payer for the purpose of payment or acceptance, it is called as...

- a) Encashing b) Demand c) **Presentment** d) Withdrawal

Presentment is simply a demand, by which holder of the instruments is required to do as per direction of the instruments.

91. Negotiable instrument is said to be negotiated when the transferee (payee) becomes the holder of it....

- a) **True** b) False

The claimant (Payee) or presenter of the negotiable instrument must get the claim what is mentioned in the instrument from the liable party (payer), then only it is said to be Negotiated (amount is transferred from the payer to the payee).

92. The making, acceptance, or indorsement of the negotiable instruments like cheque, bill of exchange, promissory note will be completed only by Delivery of it from the maker to the acceptor...

- a) True b) False

Transferability is the most important aspect of negotiability. Hence unless the negotiable instrument is delivered to the payee by the payer (promote/cheque) or by the maker to the acceptor (Bill of exchange), it can not become a negotiable instrument.

93. Presentment of the Negotiable instrument is Time Specific...

- a) **True** b) False

Explanation

Every Negotiable Instrument is Time Specific, hence must be presented with the time period of payment in due course.

Ex: In Pronote, the mentioned amount is payable after 2 months of the date of preparation. Suppose the Pronote is prepared on 26/10/2018, it means, the payee can present the cheque after two month of its making i.e. 26/12/2018. Cheque is prepared on 26/10/2018, it must be presented before 3 months from its date of preparation i.e. before 25/01/2019.

94. The Negotiable Instrument may be dishonored either by ...

- a) Non Acceptance of Negotiable Instrument (Bill of Exchange)
- b) Non Payment of mentioned value (Pronote/Cheque)
- c) Both a & b**
- d) None of the above

If the Bill of Exchange is not accepted by the payer (buyer) for the purpose of payment of dues against goods received or if payment is rejected by the payer against the pronote or cheque issued by them, is called as dishonor of Negotiable Instrument.

95. In such case of dishonor of Bill of Exchange, the Drawer can go to the Notary Public in the court to file a complaint by requesting to note the fact of non acceptance. It is called as ...

- a) Noting**
- b) Protest
- c) Complaint
- d) Petition

If the Bill of Exchange is not accepted by the payer (buyer) for the purpose of payment of dues against goods received, is called as dishonor of BoE. The drawer of BoE can then go to Public Notary to file a complaint along with the facts.

96. The process in which the Notary Public writes the facts of dishonor on the Negotiable Instrument and Sign & Seal it, is called as...

- a) Protesting
- b) Noting**
- c) Case Study
- d) All of the above

Notary Public issues a certificate mentioning the case of dishonor of

97. Negotiable Instrument along with Sign and Seal of the Notary Public by charging some fees (Noting Charges)...

- a) Noting
- c) Protest**
- b) Complaint
- d) Petition

After the noting process is done, before filing a case in the court, the payee, whose Negotiable Instrument is dishonored, must get a certificate from the Public Notary, which contains all the facts related to dishonor of Negotiable Instrument. It is called as Protest.

98. According to Thomas, a Negotiable Instrument recognized by custom or by law is...

- a) Transferable by delivery or by delivery and endorsement
- b) Without notice to the party liable, in such a way that the holder of it for the time being may sue upon it in his own name.
- c) The property in it passes to a bona fide transferee for the value free from equities and free from any defect in the title of the person from whom it is obtained
- d) All the above**

99. When a bill is drawn, accepted, or indorsed without any consideration it is called as...

- a) Escrow
- b) Factitious Bill
- c) Accommodation Bill**
- d) Clean Bill

Explanation

Suppose Akash asks for Rs. 2000 to Sagar as a loan. If Sagar lends Rs. 2000 to Akash, Sagar can ask Akash to draw a bill on Sagar, which he will accept. Later Sagar would get the bill discounted from Akash's bank against given loan amount. It is called as Accommodation Bill.

100. If the bill is drawn on a fictitious name of the payer as well payee, such bill is called as fictitious bill.

- a) True**
- b) False

Explanation

Yes, It is a kind of fraud or dishonesty. Suppose a dishonest accountant prepares a cheque on the name of Mr. Balaji and intends his boss to sign the cheque, saying, that the business is owing pay to Balaji. Boss was having no idea about any such case or Balaji to whom the business is owing to pay some money. Such payee is called as non existing or fictitious payee.

101. when no bills are attached to the bill for acceptance/payable sent to the payer, such bill is called as...

- a) Clean Bill
- b) Clear Bill
- c) Not Attachment Bill
- d) Escrow

When only a Bill of exchange is sent for the acceptance to the payer or a Pronote or Cheque is sent to the payer without any attached bills like Invoice, insurance documents etc., such bill is called as Clean Bill.

101. The Negotiable Instrument while drafting (writing), becomes faulty, it is called as. ...

- a) Faulty Bill
- b) Ambiguous Bill
- c) Dishonored Bill
- d) Escrow Bill

Explanation

Since Negotiable instrument is a written document, which is transferable from one person to the another person, it must be free from all types of writing errors in the title of payer or payee. If there is any defect/fault while writing the instrument, it is called as **Ambiguous Bill**

102. The Negotiable instrument drafted on the name of any payee/bearer is incomplete in any respect is called as...

- a) Inchoate Instrument
- b) Ambiguous Instrument
- c) Fictitious Instrument
- d) None of the above

Suppose the party, who is delivering a promissory note, write all the details and sign it but forget to stamp it or in case of cheque write incomplete details of the payee, will be called as Inchoate (Developing/Immature) Instrument.

103. The maturity of Pronote/Bill of Exchange is the date on which it falls to due (becomes payable).

- a) True
- b) False

The Negotiable instrument must be payable either by demand or on specified day or after a specified date. The day/date on which the value in the instrument becomes due/payable, is called as Maturity.

104. Which of the following are the instruments not entitled for days of grace (no grace period)...

- a) Cheque
- b) Sight Bill
- c) On Demand Pronote
- d) Bill of Exchange or Pronote, on which no time/date is mentioned
- e) All of the above

Explanation

Cheque has a validity of 3 months from its date of preparation but is payable even on the date mentioned on it, Sight bill is also the bill for immediate payment. On demand pronote/bill is also payable immediately after its demand. Cheque expires in 3 months of its issue, has no grace period.

105. The Promissory Note can be dishonored by means of...

- a) Non Payment (Section 92)
- b) Non Acceptance (Section 91)
- c) Non Payment (Section 91)
- d) Non Acceptance (Section 92)

The promissory note is prepared by the payer/maker in consideration to the value received. Hence if he fails to do the payment or denies to make payment, it is called as dishonor of Promissory Note.

106. A bill of exchange contains a/an...

- a) Unconditional order
- b) Unconditional undertaking
- c) Conditional undertaking
- d) Conditional order.

The bill of exchange contains an unconditional order to pay a certain amount on an agreed date while the promissory note contains an unconditional promise to pay a certain sum of money on a certain date.

107.. If an instrument may be construed either as a promissory note or bill of

- a) a valid instrument
- b) an ambiguous instrument
- c) a returnable instrument
- d) none of the above.

The meaning of word construed (taken/seen/understood) as promissory note or bill of exchange, it is an ambiguous instrument.

108.. If in an instrument the amount undertaken or ordered to be paid is stated differently in figures and in words...

- a) the instrument is void due to uncertainty
- b) the amount stated in figure shall be the amount undertaken or ordered to be paid
- c) the amount stated in words shall be the amount undertaken or ordered to be paid
- d) none of the above.

The Negotiable Instruments must be freely transferable and unconditional from the make to the received/bearer.

109 gives only a general idea about securities.

- (A) shelf prospectus
- (B) red herring prospectus
- (C) abridged prospectus
- (D) deemed prospectus

110. The main advantage of is that company can save underwriting expenses.

- (A) shelf prospectus
- (B) red herring prospectus
- (C) abridged prospectus
- (D) deemed prospectus

111. Prospectus by implication is also known as

- (A) shelf prospectus
- (B) red herring prospectus
- (C) abridged prospectus
- (D) deemed prospectus

112. Not less than Days notice for a general meeting of a company must be given.

- (A) 10
- (B) 15
- (C) 21
- (D) 30

113. The minimum number of members that must be present at a valid meeting is called.....

- (A) simple majority
- (B) quorum
- (C) proxy
- (D) none of these

114. A proxy can vote in case of

- (A) poll
- (B) meeting
- (C) both
- (D) none

115. A special resolution is one to pass with the votes cast in favour must betimes the votes cast against it.

- (A) 2
- (B) 3
- (C) 4
- (D) 6

116. A special resolution must be filed with the registrar for registration withindays.

- (A) 10
- (B) 15
- (C) 21
- (D) 30

117. To make the liability of directors unlimited aresolution is required.

- (A) ordinary
- (B) special
- (C) both
- (D) none

118. For declaration of dividend noresolution is required.

- (A) ordinary
- (B) special
- (C) both
- (D) none

119. A company can be wound up.

- (A) Voluntarily by members.
- (B) By the order of the Tribunal.
- (C) By Voluntary winding up by creditors.
- (D) By all the above methods.

120) Compulsory winding up means winding up.

- (A) By the Tribunal. (B) By the members.
(C) By the Creditors. (D) All of them.

121. A company may be wound up by the Tribunal if.

- (A) The company passes an ordinary resolution to this effect.
(B) The company does not commence its business within 6 months of its incorporation.
(C) Number of members reduced below 7 in the case of a private company.
(D) Company is unable to pay its debts.

122. As per Sec 439, who can file a petition to the tribunal for winding up?

- (A) The registrar. (B) Company.
(C) Contributory. (D) Any one of these.

123. As per Sec.444 when the Tribunal makes an order for the winding up it should be communicated within two weeks to.

- (A) Official liquidator. (B) Company.
(C) Central Government. (D) National Company Law Board.

124. Official liquidators are appointed from a panel of.

- (A) Professional firms of chartered accountants.
(B) Advocates.
(C) Company Secretaries.
(D) All.

125. Tribunal may appoint the official liquidator to be the liquidator provisionally at any time.

- (A) After the presentation of petition for winding up.
(B) After making the winding up order.
(C) After dissolution.
(D) Before the statutory meeting.

126. The official liquidator after receipt of statement of affairs of the company must submit a preliminary report to the Tribunal not later than of the order.

- (A) 6 month. (B) one year.
(C) two weeks. (D) one month.

127. On a winding up order being made, the company's property comes under the custody of.

- (A) Liquidator. (B) Tribunal.
(C) Central Government. (D) Share holders.

128. As per Sec.457, the statutory powers of the liquidator can be exercised.

- (A) With the sanction of Tribunal.
(B) Without the sanction of the Tribunal.
(C) Some with and some without such sanction.
(D) With the sanction of the Central Government.

THE COMPANIES ACT

The Companies Act, 2013 passed by the Parliament has received the assent of the President of India on 29th August, 2013. The Act consolidates and amends the law relating to companies. The Companies Act, 2013 has been notified in the Official Gazette on 30th August, 2013. Some of the provisions of the Act have been implemented by a notification published on 12th September, 2013. The provisions of Companies Act, 1956 is still in force.

129. A person liable to contribute towards the assets of the company on the event of its being wound up is a

- (A) liquidator (B) solicitor
(C) contributory (D) tribunal

130. On a winding up order being made in respect of a company, the official Liquidator shall, become the of the company.

- (A) liquidator (B) solicitor
(C) contributory (D) tribunal

132. When a winding up order has been made by the tribunal but there is no liquidator, the property of the company vests in the

- (A) liquidator (B) solicitor
(C) contributory (D) tribunal

134. After obtaining of certificate to commence business a company may be wound up if it does not commence business within

- (A) one month (B) three months
(C) six months (D) one year

135. A company may be wound up by the Tribunal by passing Resolution.

- (A) special (B) extra ordinary
(C) ordinary (D) none of these

136. A company has to submit a statement of affairs to the Official Liquidator within days of the appointment of the official liquidator.

- (A) 10 (B) 14 (C) 21 (D) 30

137. In a members voluntary winding up the notice of the resolution for winding up shall be filed with the registrar within days of passing of the resolution.

- (A) 10 (B) 14 (C) 21 (D) 30

138. A public company may be wound up by the Tribunal if the number of its members is reduced below

- (A) 7 (B) 14 (C) 21 (D) 28

139. An official liquidator is appointed by the

- (A) manager (B) a court of competent jurisdiction
(C) board of directors (D) central govt.

140. A voluntary winding up is deemed to commence from the date when the declaration of solvency is made by the

- (A) manager (B) a court of competent jurisdiction
(C) board of directors (D) central govt.

141. The demand for a poll may be withdrawn beforeof the poll is declared.

- (A) commencement (B) closing
(C) result (D) none

142. The minutes of the share holder's meeting are to be kept at theoffice of the company and must be open to inspection.

- (A) registered (B) divisional
(C) head (D) none

143. The meeting other than statutory and the annual general meeting of the company is.....

- (A) extra ordinary meeting (B) special meeting
(C) board (D) none of these

144. The statutory meeting is required to be held bycompanies

- (A) private (B) public (C) both (D) none

145.is the proper authority to call annual general meeting.

- (A) promoters (B) manager
(C) board of directors (D) secretary

146. Which of the following is the feature of a registered company

- (A) separate property (B) perpetual succession
(C) common seal (D) all of these

147. defines the extent of powers of the company.

- (A) articles of association (B) memorandum of association
(C) prospectus (D) information memorandum

148. Table..... is for memorandum of association of a company limited by shares.

- (A) B (B) C (C) D (D) E

149. Table.....is for memorandum of association of a company limited by guarantee and not having a share capital.

- (A) B (B) C (C) D (D) E

150. Table.....is for memorandum of association of a company limited by guarantee and having a share capital.

- (A) B (B) C (C) D (D) E

151) The interval between two annual general meetings should not be more than.

- (A) 12 months. (B) 15 months.
(C) 18 months. (D) 20 months.

152) Statutory meeting need to be held by.

- (A) A public company limited by guarantee and having a share capital.
(B) A public company having liability of its members unlimited.
(C) A Government company.
(D) A public company not having share capital.

153) A meeting of the Board of Directors must be held at least once in.

- (A) Each month. (B) Every two months.
(C) Every three months. (D) Every four months.

154) When can an annual General Meeting be called giving shorter notice than that specified?

- (A) If consent is accorded to by all the members entitled to vote.
(B) if consent is accorded to by 30% of the members entitled to vote.
(C) If Board of Directors takes a majority decision in this regard.
(D) If the company Secretary so wishes.

155) For general meeting of any kind (statutory, Annual or Extraordinary) at least Notice must be given to members.

- (A) 21 days. (B) 22 days.
(C) 23 days. (D) 25 days.

156) Quorum for general meeting for private and public companies.

- (A) 2 and 5. (B) 3 and 6.
(C) 5 and 7. (D) None of these.

157) Quorum for a Board meeting is.

- (A) 1/3 of total number of directors or 2 directors, whichever is higher.
(B) 1/2 of total number of directors or 3 directors whichever is higher.
(C) 1/2 of total number of director or 3 directors whichever is lower.
(D) None of the above.

158) The minutes book can be inspected by the.

- (A) Shareholders free of charge. (B) Debenture holders on payment.
(C) Any one on payment. (D) None of the above.

159) Minutes of company meeting should be prepared within.

- (A) 21 days of the meeting. (B) 30 days of the meeting.
(C) 40 days of the meeting. (D) 45 days of the meeting.

160) A special resolution is passed by.

- (A) Simple majority. (B) 2/3 majority.
(C) 3/4 majority. (D) None of these.

161. List A of contributories contains members of the company.

- (A) existing (B) past (C) future (D) ex-officio

162. List B of contributories contains members of the company.

- (A) existing (B) past (C) future (D) ex-officio

163. On dissolution the name of the company is struck off from the of the company.

- (A) schedule (B) charter (C) register (D) none

164. The Cadbury Committee suggests that the non- executive directors can play a crucial role in

- (A) meetings (B) management
(C) decision-making (D) corporate governance

165. SEBI's code of Corporate Governance provides from the constitution of share holders committee under the chairmanship of

- (A) board of Directors (B) director
(C) non executive director (D) manager

166. Mandatory requirements of the revised clause 49 of the listing agreement, requires that non- executive directors in the Board of Directors are not less than of the Board of Directors.

- (A) 25% (B) 36% (C) 50% (D) 75%

167. Which of the following are known as Board Committees

- (A) Audit Committee (B) Remuneration Committee
(C) nomination committee (D) all of these.

168. The company agrees that the remuneration of non- executive directors shall be decided by

- (A) board of Directors (B) director
(C) non executive director (D) manager

169.carries out the winding up proceedings.

- (A) liquidator (B) solicitor (C) contributory (D) tribunal

170. The order of dissolution can be issued only by the

- (A) liquidator (B) solicitor (C) contributory (D) tribunal

171. Voluntary winding up:

- a. If period fixed for the company is expired.
b. If company passes a special resolution the company wound up voluntarily.
c. Members voluntary winding up is applicable to solvent companies only.
d. All of the above

172. Compulsory winding up:

- a. If a company unable to pay its debt
b. If the number of members of company reduced below statutory limit.
c. If a company does commence its business within a year from its incorporation.
d. All of the above.

173. The first item in order of payment to be made by liquidator is:

- a. Secured creditors b. Preferential creditors
c. Liquidation expenses d. Preferential creditors

173. Liquidator's statement of receipts and payment is known as:

- a. Cash flow statement b. Cash book
c. Liquidator's final statement of account d. Deficiency account

174. A contributory is

- a. A creditor b. A shareholder
c. A debenture holder d. A convertible debenture holder

175. A past member is not liable to contribute:

- a. In respect of any liability contracted after he ceased to be member of the company.
b. One year passed since he ceased to be a member.
c. In case of company limited by shares, no liability arises if shares are fully paid up.
d. All of the above

176. Which of the following statement is true:

- a. Preference share capital together with any arrears of dividend will have priority for payment over equity capital.
b. The holders of cumulative preference shares are entitled to arrears of dividend if there is a surplus after return of equity capital.
c. Preference shares are treated as fully secured creditors.
d. If articles provides for payment of arrear of dividend, then it must be paid even by contributories if shares are partly paid.

177. Which of the following is not a preferential creditors:

- a. All sum due to employee from a provident fund, pension fund, gratuity fund or any other fund maintain for welfare of employee.
b. Compensation under workmen's compensation act.
c. Amount due under employees state insurance act for 12 months previous to the winding up
d. Amount due to employee under amalgamation or reconstruction

178. Salaries due to clerk is preferential for a period not exceeding:

- a. Two months b. Three months
c. Four months d. Five months

179. "B" List of contributories are not liable:

- a. If shares are fully paid up

- b. For liabilities after they are ceases to be member of the company.
- c. If present shareholders paid the unpaid amount of the shares transferred by them.
- d. All of the above

180 . Which among the following is/are incorrect with respect to Competition Commission of India

- 1 . It is a constitutional body .
- 2 . It is responsible for enforcing The Competition Act, 2002 .

Select the correct answer from the following:

- a . 1 only
- b . 2 only
- c . Both 1 and 2
- d . Neither 1 nor 2

Answer – a

181 . Consider the following statements regarding Competition Commission of India

- 1 . It was established in 2003.
 - 2 . Commission has been functioning as a single member body right from its inception.
- Which among the above statements is/are correct?

- a . 1 only
- b . 2 only
- c . Both 1 and 2
- d . Neither 1 nor 2

Answer –a

About Competition Commission of India

Competition Commission of India is a statutory body responsible for enforcing The Competition Act, 2002 and to prevent activities that have an appreciable adverse effect on competition in India.

Formed

It was established on 14 October 2003. It became fully functional in May 2009.

Objectives of the Commission

- 1 . Make the markets work for the benefit and welfare of consumers.
- 2 . Ensure fair and healthy competition in economic activities in the country for faster and inclusive growth and development of economy.
- 3 . Implement competition policies with an aim to effectuate the most efficient utilization of economic resources.
- 4 . Develop and nurture effective relations and interactions with sectoral regulators to ensure smooth alignment of sectoral regulatory laws in tandem with the competition law.
- 5 . Effectively carry out competition advocacy and spread the information on benefits of competition among all stakeholders to establish and nurture competition culture in Indian economy.

Composition of the Commission

Recently the Union Cabinet has given its approval for rightsizing the Competition Commission of India (CCI) from One Chairperson and Six Members (totalling seven) to One Chairperson and Three Members (totalling four) by not filling the existing vacancies of two members and one more additional vacancy, which is expected in September, 2018 when one of the present incumbents will complete his term.

Section 8(1) of the Competition Act, 2002 (the Act) provides that the Commission shall consist of a Chairperson and not less than two and not more than six Members. Presently, the Chairperson and four Members are in position.

The Commission has been functioning as a collegium right from its inception. In several major jurisdictions such as in Japan, USA and U.K. Competition Authorities are of a similar size.

Evolution of laws regarding unfair trade practices:

To regulate advertising, in 1984, Parliament inserted a chapter on unfair trade practices in the **Monopolies and Restrictive Trade Practices Act, 1969 (MRTP)**

Under the MRTP Act, any person or trader (business entity) could approach the MRTP Commission against an unfair trade practice

The **Consumer Protection Act (CPA)** was enacted two years later and it intended to give protection to consumers against unfair trade practices, but the remedy under the CPA has remained dormant

So, following changes worldwide, need was felt for a comprehensive law against monopolies and anti-competition business activities

On the recommendations of a committee, the **Competition Act, 2002** was enacted and it repealed the MRTP Act, 1969. And it excluded unfair trade practices from the draft bill as it did not want to dilute the thrust of the law from anti-competition activities.

182. When IT Act 2000 came into effect?

1. **October 17, 2000**
2. October 17, 2001
3. November 11, 2000
4. November 11, 2001

183. How many schedules are there in IT Act 2000?

1. 3
2. **4**
3. 6
4. 2

184. Which is the Act which provides legal framework for e-Governance in India

1. IT (amendment) Act 2008
2. Indian Penal Code
3. **IT Act 2000**
4. None of the above

185. Which section of IT Act deals with the legal recognition of electronic records?

1. Section 2
2. Section 5
3. Section 6
4. **Section 4**

186. What is/are component of IT Act 2000 ?

1. Legal Recognition to Digital Signatures
2. Regulation of Certification Authorities.
3. Digital Certificates
4. **All the above**

186. The section deals with legal recognition of digital signature

1. Section 3
2. **Section 5**
3. Section 6
4. Section 4

187. The section deals with the use of electronic records and digital signature in Government and its agencies

1. Section 3
2. Section 5
3. **Section 6**
4. Section 7

188. Major amendments to IT Act 2000 was introduced in the form of IT (amendment) Act 2008, which came into effect on

1. 01 June 2008
2. **27 October 2009**
3. 27 October 2008
4. 03 July 2009

189. IT Act 2000 amended various sections of which of the following Acts?

1. Indian Penal Code 1860
2. Reserve Bank of India Act 1934
3. Indian Evidence Act 1872 & Bankers Book Evidence Act 1891
4. **All of the above**

190. Which among following Act is not amended in Information Technology Act 2000 ?

1. The Bankers Books Evidence Act, 1891
2. **BSNL IT Policy**
3. RBI Act 1934.
4. The Indian Evidence Act, 1872

191. Controller of Certifying Authorities (CCA) work under ?

1. Prime Minister office
2. Reserve Bank of India
3. **Ministry of Communication & IT**
4. autonomous body

192. Which Act in India focuses on data privacy and information technology?

1. Banking Regulation Act 1949
2. IT Act 2000
3. Indian Penal Code
4. **IT (amendment) Act 2008**

193. Which section of IT Act deals with the appointment of Controller of certifying authorities

1. Section 17 2. Section 15 3. Section 10 4. Section 5

194. Which section of IT Act 2000 deals with the punishment for cheating by impersonation by using computer resources?

1. Section 66D 2. Section 66C 3. Section 66B 4. Section 66F

195. The following punishment is mentioned in which section of IT Act 2000 '3 years of imprisonment and/or 5 lakh rupees penalty for first conviction & 5 years of imprisonment and/or 10 lakh rupees penalty

1. Section 67 2. Section 66 3. Section 65 4. Section 64

196. Which section of IT Act deals with Hacking of computer systems and its penalties?

1. Section 65 2. Section 66 3. Section 62 4. Section 67

197. What is the punishment for hacking of computers?

1. Three year imprisonment or 10 lakh rupees penalty or both
2. Life Imprisonment
3. Three year imprisonment or 5 lakh rupees penalty or both
4. Three year imprisonment or 2 lakh rupees penalty or both

198. Which section of IT Act deals with Cyber terrorism?

1. Section 66C 2. Section 66B 3. Section 66F 4. Section 66A

199. Which section of IT Act was invalidated by Supreme Court of India

1. Section 66F 2. Section 66B 3. Section 66D 4. Section 66A

200. The date on which Supreme Court of India invalidated Section 66A of IT Act 2000:

1. 24.03.2015 2. 31.03.2015 3. 01.01.2015 4. 01.06.2015

201. What is the penalty for publishing images of a person's private parts without consent, as per IT Act 2000?

1. 5 years imprisonment or 5 lakh rupees penalty or both
2. Life imprisonment
3. 3 years imprisonment or 2 lakh rupees penalty or both
4. None of the above

202. What is the punishment for identity theft in IT Act?

1. Two year imprisonment or 1 lakh rupees penalty or both
2. Three year imprisonment or 1 lakh rupees penalty or both
3. Three year imprisonment or 2 lakh rupees penalty or both
4. None of the above

203. What is the penalty for destroying computer source code?

1. Three year imprisonment or 3 lakh rupees penalty or both
2. Two year imprisonment or 2 lakh rupees penalty or both
3. Three year imprisonment or 5 lakh rupees penalty or both
4. Three year imprisonment or 2 lakh rupees penalty or both

204. Which are the sections of IT Act applicable for Cyber pornography?

1. 66, 66A, 66B 2. 67, 67A, 67B 3. 67, 67C, 67D 4. None of the above

205. Which section of IT Act deals with Child pornography?

1. Section 67F 2. Section 67D 3. Section 67C 4. Section 67B

206. What is the maximum penalty for damage to Computer, Computer systems, unauthorized access, download of data, infecting with virus, denial of access etc as per Section 43
 1. Rs. 50 lakh 2. Rs.1 crore 3. Rs. 5 crore 4. Rs.75 lakh
207. Which section of IT Act 2000 propose a punishment of life imprisonment?
 1. Section 66F 2. Section 66C 3. Section 66B 4. Section 66A
207. When IT Act 2000 came into effect?
 (a) 2000 October 17 (b) 2001 October 17
 (c) 2000 November 11 (d) 2001 November 11
208. How many schedules are there in IT Act 2000?
 (a) 3 (b) 4 (c) 6 (d) 2
209. Which is the Act which provides legal framework for e-Governance in India
 (a) IT (amendment) Act 2008 (b) Indian Penal Code
 (c) IT Act 2000 (d) None of the above
210. Which section of IT Act deals with the legal recognition of electronic records?
 (a) Section 2 (b) Section 5 (c) Section 6 (d) Section 4
211. Which section of IT Act deals with the appointment of Controller of certifying authorities
 (a) Section 17 (b) Section 15 (c) Section 10 (d) Section 5
212. Which section of IT Act deals with Hacking of computer systems and its penalties?
 (a) Section 65 (b) Section 66 (c) Section 62 (d) Section 67
213. Which section of IT Act deals with Cyber terrorism?
 (a) Section 66C (b) Section 66B (c) Section 66F (d) Section 66A
214. Which section of IT Act was invalidated by Supreme Court of India
 (a) Section 66F (b) Section 66B (c) Section 66D (d) Section 66A
215. The date on which Supreme Court of India invalidated Section 66A of IT Act 2000:
 (a) 24.03.2015 (b) 31.03.2015 (c) 01.01.2015 (d) 01.06.2015
216. What is the maximum penalty for damage to Computer, Computer systems, unauthorized access, download of data, infecting with virus, denial of access etc as per Section 43
 (a) Rs. 50 lakh (b) Rs.1 crore (c) Rs. 5 crore (d) Rs,75 lakh
217. RTI Act 2005 came into force on
 (a) 12 October 2005 (b) 15 August 2005
 (c) 15 June 2005 (d) 1 November 2005
218. Which of the following is not come under the definition of 'information' under RTI Act 2005?
 (a) Log books (b) File notings
 (c) Data material held in any electronic form (d) Circulars
219. The officer designated by the public authorities in all administrative units or offices under it to provide information to the citizens requesting for information under the Act is known as
 (a) Appellate Authority
 (b) Chief Information Commissioner (CIC)
 (c) Public Information Officer (PIO)
 (d) Assistant Public Information Officer

220. What is the time limit to get the information under RTI Act 2005?

- (a) 15 days (b) 45 days (c) 60 days (d) 30 days

221. What is the time limit to get the information concerning the life and liberty of a person?

- (a) 48 hours (b) 24 hours (c) 5 days (d) 10 days

222. If the interests of a third party are involved in information sought for, the maximum time limit to get the information will be

- (a) 30 days (b) 40 days (c) 45 days (d) 60 days

223. If information sought has been supplied by third party or is treated as confidential by that third party, the third party must be given a representation before the PIO in reply to the notice issued to him within --- days from the date of receipt of such notice.

- (a) 5 days (b) 15 days (c) 10 days (d) 7 days

224. What is the fee for getting information under RTI Act

- (a) Rs.20/- (b) Rs.50/- (c) Rs.100/- (d) Rs.10/-

225. First appeal to the first appellate authority can be preferred by the applicant within ----- days from the expiry of the prescribed time limit or from the receipt of the decision from the PIO

- (a) 30 days (b) 45 days (c) 60 days (d) 90 days

226. First Appeal shall be disposed of by the first appellate authority within ----- days from the date of its receipt.

- (a) 40 days (b) 30 days (c) 60 days (d) 50 days

227. Which was the first country in the World to have enacted a legislation for providing for citizens' RTI?

Ans: Sweden did so as far back as in December 1766.

228. The Universal Declaration of Human Rights recognises FOI as a part of Freedom of Expression, which is a Fundamental Human Right.

- A) Correct b) False

Ans : Correct

229. FoI / RTI laws are also referred to as "open-government laws" and "sunshine laws"

- A) Correct b) False

Ans : Correct

230. The first State to introduce the a law on RTI was

- A) Tamilnadu b) U.P c) Maharastra d) Gujarat

Correct. Tamil Nadu did so in April 1996

231. Which was the State in which local authorities started providing people access to certain information related to the 'Public Distribution System' (PDS) even before the State Assembly introduced / passed an RTI Act?

- A) West Bengal b) Rajasthan c) Madhya Pradesh d) Kerala

Answer: B. Madhya Pradesh: It happened in Madhya Pradesh in certain places like Bilaspur and Korba. This was before the State of Chhattisgarh was carved out of Madhya Pradesh in November 2000. The Madhya Pradesh Assembly passed the RTI Act in 2002

232. The 'Right to Information Act, 2005' came into full force on

- a) 2nd October 2005 b) 12th October, 2005. c) 5th Sept 2005 d) 25th August 2005

Answer: B. 12th October, 2005

233. How many schedules does the 'RTI Act, 2005' have?

- A) 5 b) 10 C) 2 D) 8

Correct Answer: C

234. Indian citizens have the right to information because of

- a) Judgment of Supreme Court
- b) Implementation of International Laws by Indian Government
- c) All states adopted agree to implement the Act
- d) a law passed by the Parliament of India.

Correct Answer: D

235. Rules can be made by Appropriate Governments or Competent Authorities by notifying the rules:

- a) in the Official Gazette
- bi) by publishing them on the website of the Appropriate Government.
- C) by publishing them on the websites of Information Commissions – as applicable.

Answer: A.

236. For the PIO to disclose certain information, the Competent Authority should be satisfied that larger public interest warrants its disclosure. This information pertains to

- a) commercial confidence.
- b) trade secrets.
- c) intellectual property.
- d) information available to a person in his fiduciary relationship
- e) All of the above

Ans: e

237. How many TYPES of 'Public Authorities' are there?

- A) Central Public Authorities b) State Public Authorities. C) Both d) none

Ans: C

238. The time limit specified in the 'RTI Act, 2005' for the Central / State Information Commissions to decide on complaints is

- a) 15 days b) One Month C) Two Months d) No such time limit has been specified.

Ans: D

239. How could a Public Information Officer receive applications?

- a) Those submitted by a requester in hand.
- b) Those sent by an applicant by E-Mail.
- c) Transferred by another Public Authority.
- d) Forwarded by an Assistant Public Information Officer.
- e) All of them

Ans: e

240. "Deemed refusal" under the 'RTI Act, 2005' is

A) failure on a PIO's part to provide information within the specified time limits.

241. A first appeal against the decision of a PIO can be preferred by

- a) An Applicant
- b) A person from within the Public Authority.
- c) A person outside the Public Authority to whom the information pertains
- D. All

Ans: D

242. The First Appellate Authority should decide on first appeals

- a) Within 30 days from the receipt of the first appeals.
- b) In less number of days that the PIO concerned took to take a decision on the application.

c) Within 45 days from the date of receipt of the appeal, if the reasons are recorded.

Ans: A&C

243. While inquiring into a complaint, Information Commissions have the power to

- a) Receive evidence on affidavit.
- b) Requisition record or copies thereof from any court or office.
- c) Issue summons for examination of witnesses or documents.
- D. All of them

Ans: D

244. A Public Information Officer will be liable to be imposed a monetary penalty for

- a) refusal to receive an information application.
- b) not providing information within specified time limits.
- c) destroying information.
- D) All of them

Ans: D

245. Consider the following. A PIO:

- a) Malafidely denies information.
- b) Obstructed furnishing information.
- c) Knowingly gave incorrect, incomplete or misleading information. For which of these actions can he / she be penalized by an Information Commission.
- D) All of these

Ans: D

246. PIO should disclose information exempted in S. 8(1) if public interest in disclosure outweighs the harm to the protected interests.

- a) Yes b) No C) None D) Yes

Ans : D

247. If a PIO reasonably severs non-exempted portions of a record from exempted portions, and partially provides information to an applicant, he / she has to

- a) Give the name and designation of the person giving the decision. b) Reasons for the decision.
- c) Details of fees the applicant may have to pay D) applicants rights for a review of the decision.
- E) All of them

Ans: E

247. The Second Schedule of the RTI Act, 2005 lists

- A. the intelligence and security organizations established by the Central Government that are exempted from the purview of the 'RTI Act, 2005
- B. All Departmental information of Central and State
- C. None

Ans: A

248. The Second Schedule of the RTI Act, 2005 can be amended by

- A. Central Govt B) State C) Both D) None

Ans: A

249. According to the 'RTI Act, 2005', as far as exempted organizations are concerned, the exemption applies to

- a) Certain organizations of the Central Government as listed in the 2nd Schedule and to the information submitted by these organizations to this Government.
- b) Certain organizations of the State Governments as may be notified by them in the Official Gazette, but NOT to the information furnished by these organisations to the respective State Governments.
- C) Both

Ans: C

250. What is the time span mentioned in the 'RTI Act, 2005' for making orders for removing difficulties in giving effect to the provisions of the 'RTI Act, 2005'?

- A) 2 years from the commencement of the Act.
- B) 1 years from the commencement of the Act.
- C) 3 years from the commencement of the Act.
- D) 4 years from the commencement of the Act.

Ans: A

251. The concept of Goods and Services Tax (GST) is originated in.....

- (a) Canada
- (b) USA
- (c) Britain
- (d) Germany

Ans. a

Explanation: The Goods and Services Tax (GST) is a Canadian value-added tax levied on most goods and services sold for domestic consumption. In India this tax is levied to abolish the multiple indirect taxes in the country.

252. Which of the following is statement is not correct about GST?

- (a) GST is like a last-point retail tax. GST is going to be collected at point of Sale.
- (b) GST will abolish all the direct tax levied in India
- (c) It will be implemented from 1 July, 2017 throughout the country.
- (d) It will unified the tax structure in India

Ans. b

Explanation: GST will abolish all the Indirect Tax levied in India.

253. Which of the following tax will be abolished by the GST?

- (a) Service Tax
- (b) Corporation tax
- (c) Income Tax
- (d) Wealth Tax

Ans. a

Explanation: GST will subsume all the indirect taxes applicable in India. Service tax is an indirect tax so it will be abolished throughout India.

254. Which of the following tax rate is not applicable under the GST?

- (a) 5
- (b) 12
- (c) 18
- (d) 25

Ans. d

Explanation: GST will comprise five basic rates: 0 percent, 5 percent, 12 percent, 18 percent and 28 percent.

255. GST will be levied on.....

- (a) Manufacturers
- (b) Retailers
- (c) Consumers
- (d) All of the above

Ans. d

Explanation: The GST is an indirect tax which means that the tax is passed on till the last stage wherein it is the customer of the goods and services who bears the tax.

256. What kind of Tax is GST?

- (a) Direct Tax
- (b) Indirect Tax
- (c) Depends on the type of goods and services
- (d) None of the above

Ans. B

Explanation: Goods and Services Tax is an indirect tax which will be levied on the goods and services both.

257. Who is the head of the GST council?

- (a) Shashi Kant Das
- (b) Amit Mitra

- (c) nirmila sitaraman (d) Hasmukh Adhia

Ans. c

Explanation: The GST Council aims to develop a harmonized national market of goods and services. The Union Finance Minister Arun Jaitley is the Chairman of the GST council.

258. Which constitutional amendment is done to pass the GST bill?

- (a) 101st (b) 120th (c) 122nd (d) 115th

Ans. a

Explanation: 101st Constitutional Amendment is done to pass the GST bill.

259. Which of the following good will not be covered under the GST bill?

- (a) Cooking gas (b) Liquor
(c) Petrol (d) All of the above

Ans. d

Explanation: Cooking gas, Liquor, Petrol, air fuel, natural gas and diesel are not covered under the GST. State government can impose tax on these goods as per their wish.

260. Which of the following is the main motive of the government behind the introduction of the Goods and Services Tax

- (a) To bring tax uniformity in the country (b) To increase government revenue
(c) To replace all the indirect tax (d) All of the above

Ans. b

Explanation: Government wants to bring tax uniformity in the country and remove the tradition of tax upon tax system.

261. The concept of Goods and Services Tax (GST) is originated in-

- (A) Canada (B) USA (C) Britain (D) Germany

(Ans : A)

262. Which of the following country is the first one to implement GST?

- (A) USA (B) France (C) China (D) Switzerland

(Ans : B)

263. Which state became the first state of India to ratify GST bill?

- (A) Bihar (B) Telangana (C) Assam (D) Andhra Pradesh

(Ans : C)

264. In which year GST was first introduced in India?

- (A) 2000 (B) 2002 (C) 2004 (D) 2006

(Ans : A)

265. The headquarters of GST council is located at-

- (A) New Delhi (B) Lucknow (C) Ahmadabad (D) Mumbai

(Ans : A)

266. Presently how many countries have implemented GST?

- (A) 102 (B) 120 (C) 140 (D) 160

(Ans : D)

277. How many countries have dual - GST model?

- (A) 5 (B) 8 (C) 10 (D) None of these

(Ans : D)

278. Who is the head of the GST council?

- (A) Shashi Kant Das (B) Amit Mitra

(C) Arun Jaitley (D) Hasmukh Adhia

(Ans : C)

279. Which article spells formation of GST Council?

(A) 270 (B) 246A (2) (C) 269A (1) (D) 279A

(Ans : D)

280. Which of the following tax will be abolished by the GST?

(A) Service Tax (B) Corporation tax (C) Income Tax (D) Wealth Tax

(Ans : A)

281. What is Integrated Goods and Services Tax?

(A) Tax imposed on imported goods and services (B) Tax imposed on value additions to exports
(C) Tax imposed on interstate trade (D) Tax on international trade

(Ans : C)

282. GST will be levied on–

(A) Manufacturers (B) Retailers (C) Consumers (D) All of the above

(Ans : D)

283. What kind of Tax is GST?

(A) Direct Tax (B) Indirect Tax
(C) Depends on the type of goods and services (D) None of the above

(Ans : B)

284. Which constitutional amendment is done to pass the GST bill?

(A) 101st (B) 120th (C) 122nd (d) 115th

(Ans : A)

285. Who is the chairman of GST council?

(A) RBI Governor (B) Prime Minister (C) Finance secretary (D) Finance Minister

(Ans : D)

286. The country with highest GST Rate in the world is–

(A) USA (B) India (C) China (D) Greece

(Ans : B)

287. In India GST came affective from July 1st, 2017, India has chosen model of dual – GST.

(A) USA (B) UK (C) Canadian (D) China

(Ans : C)

288. The tax IGST charged by Government.

(A) Central (B) State (C) Concerned department (D) Both A and B

(Ans : A)

289. GST comes under which amendment bill?

(A) 118 (B) 120 (C) 122 (D) 115

(Ans : C)

290. How many types of GST in India?

(A) 2 (B) 3 (C) 4 (D) 5

(Ans : B)

291. Which country has the second-highest GST rate of 27%?

(A) Colombia (B) Brazil (C) Argentina (D) Chile

(Ans : C)

293. What kind of Tax is GST?

- (A) Direct Tax (B) Indirect Tax
(C) Depends on the type of goods and services (D) None of the above

(Ans : B)

294. Which of the following tax will be abolished by the GST?

- (A) Service Tax (B) Income Tax (C) Wealth Tax (D) Corporation tax

(Ans : A)

295. India has chosen model of dual-GST?

- (A) Canadian (B) Cuba (C) Belize (D) Nicaragua

(Ans : A)

296. GST was introduced as the amendment Act.

- A 100 (B) 101 (C) 102 (D) 103

(Ans : B)

297. A special purpose vehicle has been launched to cater the needs of GST.

- (A) GSTS (B) GSTR (C) GSTM (D) GSTN

(Ans : D)

298. GST is a based tax on consumption of goods and services.

- (A) Origin (B) Destiny (C) Development (D) Destination

(Ans : D)

299. Indian GST model has how many bands of tax rates?

- (A) 2 (B) 3 (C) 4 (D) 5

(Ans : C)

300. The highest rate of tax prescribed under IGST is-

- (A) 5% (B) 12% (C) 18% (D) 28%

(Ans : D)

301. Combined Stake of Central and State Government in GSTN is-

- (A) 20% (B) 25% (C) 49% (D) 51%

(Ans : C)

302. The Central Board of Excise and Customs (CBE(C) announced that every year will be considered as GST Day.

- (A) April 1 (B) March 1 (C) June 1 (D) July 1

(Ans : D)

303. Who is the chairman of GST committee of state finance ministers?

- (A) Amit Mitra (B) Amit kohli (C) Amit Sastri (D) Amit Malhodra

(Ans : A)

304. What is Integrated Goods and Services Tax?

- (A) Tax on international trade (B) Tax imposed on interstate trade
(C) Tax imposed on value additions to exports (D) Tax imposed on imported goods and services

(Ans : B)

305. In India, the GST Council has come out with a four-rate structure. They are?

- (A) 5%, 12%, 18% and 24% (B) 5%, 12%, 18% and 26%

(C) 5%, 12%, 18% and 28%

(Ans : C)

(D) 5%, 12%, 16% and 28%

306. The IGST is charged by?

(A) Central Government of India

(C) Only 1

(Ans : A)

(B) State Government of Andhra

(D) Only 2

307. Ayurvedic products comes under which rate structure?

(A) 14%

(B) 15%

(C) 12%

(D) 11%

(Ans : C)

308. Under which Act GST was introduced?

(A) 100

(B) 101

(C) 102

(D) 103

(Ans : B)

309. GST council formation based on Article number–

(A) 279A

(B) 289A

(C) 266A

(D) 255A

(Ans : A)

310. Under GST, Smartphones will be taxed at per cent.

(A) 14%

(B) 12%

(C) 18%

(D) 5%

(Ans : B)

311. GSTN comes under which Act?

(A) Banking Regulation Act 1949

(C) Indian Partnership Act, 1932

(Ans : D)

(B) RBI Act 1934

(D) Companies Act, 2013

312. Combined Stake of Central and State Government in GSTN is–

(A) 20%

(B) 25%

(C) 49%

(D) 51%

(Ans : C)

PRACTICE SETS

1. Which of the following is correct?

a. Indian Contract Act 1882

c. Indian Contract Act 1872

b. Indian Contract Act 1972

d. Indian contract Act 1888

2. The law of contract is nothing but

a. a child of religion

c. a child of economics

b. a child of commercial dealing

d. a child of day to day politics

3. The Indian contract Act 1872 extends to

a. Whole of India

c. North India

b. Whole of India excuding J&K

d. South India

4. To form a valid contract, there should be atleast

a. two parties

c. four parties

b. three parties

d. five parties

5. Contractual rights and duties are created by

a. state

b. statue

- c. parties
d. custom or usage
6. A contract is
a. agreement + offer
b. agreement + consideration
c. agreement + enforceable by law
d. none of the above
7. The correct sequence in formation of a contract is
a. offer, acceptance, consideration, agreement
b. offer, consideration, acceptance, agreement
c. agreement, consideration, offer, acceptance
d. offer, acceptance, agreement, consideration
8. A contract creates
a. right in personam
b. rights in remuneration
c. only rights with no obligation
d. only obligations and no rights
9. Which of the following feature is not essential for a contract?
a. it should be in writing only
b. free consent of parties competent of contract
c. lawful consideration and with a lawful object
d. it should not be declared void expressly
10. When one person signifies to another his willingness to do or to abstain from doing anything with a view to obtaining the assent of that other person to such act or abstinence, he is said to make a
a. proposal
b. promise
c. contract
d. none of these
11. A offers to sell B his car for Rs 200000. C standing nearby says, 'I will take it if B does not take it.' B is not interested in the car. What will be the position of C says to A, 'here is the money, I take the car,'
a. there is a contract between A and C
b. There is no contract between A and C
c. A may or may not accept the offer
d. Both b and c
12. An agreement is a voidable contract when it is
a. enforceable
b. enforceable by law at the option of the aggrieved party
c. enforceable by both the parties
d. not enforceable at all
13. Which one of the following statement is true?
a. offer and acceptance are revocable
b. offer and acceptance are irrevocable
c. an offer can be revoked but acceptance can not
d. an offer can not be revoked, but acceptance can be recovered
14. Which one of the following falls into the category of offer?
a. newspaper advertisement regarding sale
b. display of goods by a shopkeeper in his window with prices marked on them
c. an advertisement of reward to the public
15. Which of the following circumstances is undue influence not exercised?
a. where one person holds a real or apparent authority over the other
b. where he stands in a fiduciary relation with the other
c. where he makes a contract with a person whose mental capacity is temporary or permanently affected by reason of age, illness or mental distress
d. when something is said or done in a dishonest way to trick people

16. Where the parties to a contract are under the mistake as to matter of fact essential to the agreement, the agreement is

- a. voidable at the option of the party making the proposal
- b. voidable at the option of the party accepting the proposal
- c. considered valid
- d. void

17. who among the following is not competent to contract?

- a. person who has acquired the age of 18
- b. person who has acquired the age of 16
- c. person is of sound mind
- d. person who is disqualified from contracting by any law

18. What is consent under the Indian contract act 1872?

- a. when acceptance of proposal is made by the party to whom the proposal is made
- b. when the acceptance is made by another person other than the person to whom the proposal is made
- c. when they agree upon the same thing in the same sense
- d. when both the parties agree upon a thing in the way, it is understood by them

19. Which of the following is not a necessary feature for free consent?

- a. when the consent is not caused by coercion
- b. when the consent is not caused by undue influence
- c. when the consent is not caused by mistake
- d. when the consent is not caused by misunderstanding

20. what is the meaning of novation?

- a. rescinding of a contract
- b. alteration of a contract
- c. change in provision of a contract
- d. substituting an old contract for a new one

21. A contract is discharged on account of change of circumstances where the performance becomes

- a. virtually impossible
- b. extremely difficult or hazardous
- c. temporarily impossibility
- d. both a and b

22. when after the formation of a valid contract, an event happens which makes the performance of contract impossible, the contract becomes

- a. voidable
- b. void
- c. valid
- d. illegal

23. The discharge of contract means the

- a. enforcement of obligations of parties
- b. coming to end of obligation of parties
- c. starting of obligation
- d. payment of carriages and penalty

24. The legal provision relating to discharge of contract by impossibility of performance are contained in

- a. section 55
- (b) section 56
- (c) section 58
- (d) section 59

25. Which of the following impossibility is the ground for discharge of contract?

- a. initial impossibility
- b. supervening impossibility
- c. both a and b
- d. none of the above

26. A contract containing an undertaking to do an impossible act, is

- a. void ab initio
- b. voidable
- c. valid
- d. illegal

27. Which of the following is a mode of discharge of contract?
a. by performance of contract b. by agreement
c. by impossibility of performance d. all of the above
28. In which of the following modes, the contract is discharge?
a. by operation of law b. by lapse of law
c. by breach of contract d. all of these
29. If a person who is incapable of entering into a contract is supplied with necessities by another person, then the latter shall
a. be reimbursed for such supplies by a relative of the incapable person and that relative must be capable of contracting
b. be reimbursed for such supplies from the property of such incapable person
c. be reimbursed for such supplies from the property of such incapable person
d. not entitled to be reimbursed at all
30. A owes Rs 10000 to B under a contract. It is agreed between A, B and C that B shall hence forth accept C as his debtor instead of A for the same amount. Old debt of A is discharged and a new debt from C to B is contracted. This is
a. alteration of contract b. rescission of contract
c. novation of contract d. charge in contract
31. In which of the following cases, the contract is not discharge on the ground of subsequent impossibility?
a. death of promisor b. change of law
c. commercial hardships d. destruction of subject matter
32. A agreed to let a room to B for holding music shows on a certain dates. Before any show was organized the room has destroyed in an accidental fire. In this case, the contract becomes
a. void and is discharged b. voidable at A's option
c. void but not discharge d. voidable at B's option
33. A owes B Rs 5000, C pays to B Rs 100 and B accepts them, in satisfaction of his claim on A. What is the status of payment?
a. this payment is a partial discharge of the whole claim
b. this payment is a discharge of the whole claim
c. this payment is not a discharge of the whole claim
d. none of the above
34. A contract is void on the ground of initial impossibility.
a. only where it is unknown to the parties
b. only where it is known to the parties
c. whether it is known or unknown to the parties at the time of agreement
d. whether it is known to the third parties
35. A agreed to sell his horse to B, but unknown to both the parties, the horse was dead at the time of agreement, in this case, the contract is
a. void and the parties are discharge from performance
b. void but the parties are not discharge from performance
c. voidable at the option of either party
d. voidable at the option of A only
36. In which of the following cases, a contract is discharge on the ground of frustration or subsequent impossibility?
a. outbreak of war b. change of law or government policy

- c. both a and b d. none of the above

37. A agreed to supply certain goods to B which to be procured from Cs factory. Due to strike is Cs factory,

A could not supply the goods. The contract

- a. becomes void on account of impossibility
- b. becomes voidable on account of difficulty
- c. is discharged on account of impossibility
- d. is not discharged on account of impossibility

38. Genarally, the following damages are not recoverable?

- a. ordinary damages
- b. special damages
- c. remote damages
- d. Nominal damages

39. When there is breach of contract, the party which aggrieved by breach is entitled for

- a. compensation against the breacher
- b. nothing
- c. registration of criminal case against the breacher
- d. none of the above

40. Consideration should not be _____ but is should be natural

- a. quasi
- b. complete
- c. party
- d. legal

41. Quasi contract is a

- a. contract
- b. legal obligation
- c. agreement
- d. conlingent contract

42. The term quasi contract is used in Indian contract Act in

- a. section 68 to 72
- b. section 69
- c. section 71
- d. none of these

43. In case of breach of contract, which of the following remedy is available to the aggrieved party?

- a. suit for rescission
- b. suit for damages
- c. suit for specific performance
- d. all of the above

44. In case of breach of contract of sale of some rare article or thing for which there is no substitute in the market, the court may grant

- a. quantum meruit
- b. rescission
- c. injuction
- d. specific performance

45. When a contract is breached, the party who suffers such breach shall

- a. be indemnified for the loss or damage caused to him
- b. receive compensation for any loss or damage caused to him
- c. be remunerated for the loss or damage caused to him
- d. not have any right under the act

46. Which of the following is true in the context of quasi contract?

- 1. there is no real contract in existence
- 2. there is no offer and acceptance
- 3. there is no intention to create contract

Select the correct answer by using the codes given below

- a. 1
- b. 1 2
- c. 1 3
- d. all of the above

47. The basis of quasi contractual relation is the

- a. existence of a valid contract between the parties

- b. existence of a voidable contract between the parties
- c. prevention of unjust enrichment at the expenses of others
- d. provisions contained in section 10 of the contract act

48. The quasi contractual obligations arise where a person

- a. suppliers necessities to an incompetent person
- b. makes payment of money or delivery of goods or under coercion
- c. both a and b
- d. none of the above

49. A person supplying necessities to an incompetent person (such as a minor or lunatic) is entitled to reimbursed from the property of such person on the basis of

- a. valid contract
- b. quasi contract
- c. voidable contract
- d. contingent contract

50. In which of the following circumstances, the quasi contractual obligations arise?

- a. liability of a finder of goods
- b. compensation of non-gratuitous acts
- c. recovery of payments made by interested persons
- d. all of the above

51. A person supplying 'necessaries' to an incompetent person is entitled to be reimbursed from the

- a. incompetent person personally
- b. parents of incompetent person
- c. property of incompetent person
- d. funds with the state government

52. A supplies to B, a lunatic, the necessities, suitable to his condition in life. In this case

- a. B is personally liable to pay
- b. B property is liable
- c. B parents are personally liable
- d. if B property is not sufficient to reimburse, then he is personally liable

53. Mr A's property was wrongfully advertised for sale for recovery of government revenue due from B. In order to save his property, Mr A paid the government dues. In this case, Mr A is entitled to recover the amount of dues paid by him from Mr B on the basis of

- a. government contract
- b. valid contract
- c. quasi contract
- d. none of these

54. Which of the following expression is used in the Indian Contract Act in the part dealing with quasi contracts?

- a. quasi contractual obligations
- b. certain relations of quasi contractual obligations
- c. certain relations resembling those created by contract
- d. obligations in the absence of actual contact

55. When a party of the contract fails to perform a contract within the fixed time

- a. such contract remains valid provided the promise is fulfilled whether at the time of performance or later
- b. such a contract becomes void
- c. such contract becomes voidable at the option of the promisee if the intention of the parties was that time should be of essence of the contract
- d. such a contract becomes voidable at the option of the promisee or promise and the intention of the parties does not matter

56. A, a singer, enters into a contract with B, the manager of a theatre, to sing at his theatre two nights in every week during the next two months and B engages to pay her Rs 1000 for each night's performance. On the 6th night, A willfully absent herself from the theatre.

- a. B is at liberty to put an end to the contract

- b. B cannot put an end to the contract
- c. either a and b
- d. none of the above

57. A season article marked price Rs 50 in Neha's shop, Sonal offers Neha Rs 50 for the article. Neha refuses to sell saying the article is not for sale. Advice Sonal.

- a. Sonal cannot force Neha to sell the article at Rs 50
- b. Sonal can force Neha to sell the article at Rs 50
- c. Sonal can claim damages
- d. Sonal can sue Neha in the court

58. Mr X a trademan, left certain goods at Mr Ys house by mistake, in this case Mr Y

- a. is bound to return the goods under quasi contractual obligations
- b. is not bound to return the goods as there is no agreement between the two
- c. can use the goods as his own and can also claom compensation from Mr X
- d. is under obligation to make a fresh contract with Mr X for the use of these goods

59. Mr X a builder, contracts to erect and finish a house by the 1st January, in order that Mr B may give possession of it at that tome to Mr C, to whom Mr B has contracted to let it. Mr A is informed of the contract between Mr B and Mr C. Mr A builds the house so badly that, before the 1st January, it falls down and has to be rebuild by Mr B, who in consequence, loses the rent which he have received from Mr C and is obliged to make compensation to Mr C for the breach of his contract.

- a. Mr A must make compensation to Mr B for the cost of rebuilding the house
- b. Mr A must take compensation to Mr B for the rent lost
- c. Mr A must make compensation to Mr for the compensation made to Mr C
- d. all of the above

60. Mr A advertises in daily newspaper that he will give a prize of Rs 90000 to the first person to swim the English channel and back during the month of August. F, who read the advertisement, sets off from Dower on 1st August and reaches the coast of France on 2nd August. On that day, a further advertisement appears in the same newspaper stating that the offer of the prize has been withdrawn. On 3rd august, F completes the return swim to England can F recover the prize.

- a. yes, as the second advertisement is ineffective as for as F is concerned
- b. no, as the offer was revoked
- c. F can only claim for damages
- d. none of the above

61. Which of these contracts has three parties consisting of creditor, principle debtor and surety?

- a. contract of indemnity
- b. contract of surety
- c. contract of pledge
- d. contract of guarantee

62. Any guarantee which the creditor has obtained by means of keeping silence as to material circumstances is

- a. valid
- b. considered to be his approval
- c. invalid
- d. considered to be his denial

63. Where a person pledge goods in which he has only a limited interest, the pledge is

- a. invalid to the extent of that interest
- b. entire contract is invalid
- c. valid to the extent of that interest
- d. entire contract is valid

64. What is the minimum consideration required to create an agency?

- a. minimum of Rs 100000
- b. minimum of 1000
- c. no consideration at all is required
- d. minimum of 10000

65. What are the essentials for a person to employ an agent?

- a. the person should not be of sound mind
- b. the person should be a major according to the law to which the agent is subject
- c. the person should be a major according to the law to which he is subject and should also be of sound mind
- d. the person should have executed a contract of indemnity before employing an agent

66. A contracts to pay B a sum of money when B marries C. C dies without being married to B.

- a. the contract still can be forced
- b. the contract becomes void
- c. either a or b
- d. none of the above

67. The extent of the liability under an indemnity depends on

- a. the nature and terms of the contract
- b. the case which must be governed by his own facts and circumstances
- c. both a and b
- d. none of the above

68. _____ contract is made by spoken words

- a. implied
- b. express
- c. void
- d. special

69. A guarantee with extend to a series of transaction is called

- a. special guarantee
- b. continuing guarantee
- c. special guarantee
- d. none of the above

70. A sub-bailee is a person to whom the actual possession of goods is transferred by someone

- a. who is not himself not an owner of goods
- b. who has a present right to possession of them as bailee of the owner
- c. both a and b
- d. none of the above

71. What is a continuing guarantee?

- a. a guarantee which continues even after the contract comes to an end
- b. a guarantee which shall be applicable to any other person who becomes a party to the contract
- c. a guarantee which extends to a series of transaction
- d. a guarantee which continues till the contract does not come to an end

72. what happens to a continuing guarantee in case of surety's death?

- a. indemnification from the property of the surety with regard to future transactions
- b. revocation of the continuing guarantee with regard to future transactions
- c. the continuing guarantee shall continue in the name of the suretys heirs
- d. the continuing guarantee shall be continued by any other person

73. a transfers possession or custody of the farmland to his son 'P'. P shall pay rent or a lease fee in return P only receives custody and control of the property, but A still iwns it. A is thus responsible for paying the property taxes and is liable for what happens on the land. This kind of contrat or arrangement is called

- a. guarantee
- b. bailment
- c. pledge
- d. set off

74. An agents authority can be created

- a. only by expressly writing the terms thereof
- b. only by implication
- c. only by expressly writing the terms thereof and registering the same with sub-registrar
- d. either expressly or impliedly

75. a sub-agent is a person employed by and acting under the control of

- a. the principal
- b. the original agent in the business of agency

- c. both a and b
- d. neither a nor b

76. Which of the following statement is correct with regard to the termination of agency in which the agent himself has an interest in the subject matter?

- a. such an agency can be terminated by the principal at his will
- b. such an agent can be terminated on the death or insanity of the principal
- c. such an agency cannot be terminated at all
- d. such an agency can be terminated only upon an express contract to the said effect

77. A contracts to indemnify B against the consequences of any proceedings which C may take against B in respect of a certain sum of Rs 500

- a. this is contract of indemnity
- b. this is not a valid contract of indemnity
- c. this is contract of stipulation
- d. none of the above

78. A employs B to beat C and agree to indemnify him against all consequences of the act. B thereupon beats C and to pay damages to C for so doing.

- a. A is liable to indemnify B for those damages
- b. A is partially liable to indemnify B for those damages
- c. A is not liable to indemnify B for those damages
- d. none of the above

79. A engages B as clerk to collect money for him. B fails to account for some of his receipts and A in consequence calls upon him to furnish security for his duly accounting. A does not acquaint C with Bs previous conduct. B afterwards makes default.

- a. the guarantee is not invalid
- b. the guarantee is partly invalid
- c. the guarantee is invalid
- d. none of the above

80. The extent of an agents authority, whether express or implied, depends upon

- a. the nature of act or business for which he has been appointed
- b. things which are incidental to the business or are usually done in carrying it out
- c. the usual customs and usages of the trade
- d. all of the above

81. subject to a contract between the partners, the firm shall indemnify a partner in respect to payments made and liabilities incurred by him.

- a. in the ordinary and proper conduct of the business
- b. in doing such act, in an emergency, for the purpose of protecting the firm from loss, as would be done by a person of ordinary prudence, in his own case, under similar circumstances.
- c. both a and b
- d. none of the above

82. termination of an agency with public authority or a public body may attract judicial intervention in writ petition

- a. if the termination be unreasonable
- b. if the termination be arbitrary
- c. if the termination be unconscionable
- d. all of the above

83. A directs B, his solicitor, to sell his estate by auction and so employ an auctioneer for the purpose. B names C, an auctioneer to conduct the sale.

- a. C is a sub agent, and A's sub agent for the conduct to the sale
- b. C is not sub agent, but B's agent for the conduct for the sale
- c. C is not a sub agent, but A's agent for the conduct of the sale
- d. none of the above

84. A contracts with B to grow a crop of indigo on A's land and to deliver it to B at a fixed rate and C guarantee A's performance of this contract. B diverts a stream of water which necessary for irrigation of A's land and thereby presents him from raising the indigo.

- a. A is liable on his guarantee
- b. A is partly liable on his guarantee
- c. A is no longer liable on his guarantee
- d. None of the above

85. Statement I Every contract is an agreement but every agreement is not a contract

Statement II All agreements are contracts, if they are made by the free consent of parties

Codes

- a. statement I is correct but statement II is incorrect
- b. statement II is correct but statement I is incorrect
- c. both statements are correct
- d. both statements are incorrect

Directions (Q Nos 86 – 90) In the questions given below are two statements labelled as statement I and statement II. In the context of two statements, which one of the following is correct?

Codes

- a. only statement I is true**
- b. only statement II is true**
- c. both statements are true**
- d. both statements are false**

86. Statement I Acceptance must be communicated

Statement II Acceptance may not be in the prescribed manner.

87. Statement I Oral acceptance is valid acceptance.

Statement II mere silence is not acceptance

88. Statement I On the valid performance of contract, the contract is said to be discharged

Statement II The discharge of contracts means that the parties are no more liable under the contract.

89. Statement I The breach of contract may be actual or anticipatory

Statement II On breach of contract, the injured party may sue for damages.

90. Statement I A quasi-contract is an obligation which the law creates in the absence of any agreement.

Statement II The term Quantum Meruit means unfavourable remuneration.

91. The agency extends to receiving notice on behalf of whatever in material to be stated in the course of the proceedings. For this rule to operate

- 1. the agent must be under a duty to communicate
- 2. the information must be material.
- 3. it must have been obtained in the course of business, for which the agent has been engaged.
- 4. the agent is not privy to a fraud on the principal.

Codes

- a. statement 1 and 2 are true
- b. statement 2 and 4 are true
- c. statement 3 and 4 are true
- d. all statements are true

92. The guarantor's right to indemnification is a right to be reimbursed

Statement I The amount which is actually paid for the principal debtor with interest.

Statement II Because he is entitled to full indemnification from the principal debtor

Codes

- a. statement I is true but statement II is false

- b. statement I is false but statement II is true
 c. both statements are true
 d. both statements are false

Directions (Q Nos 93 to 98) In the questions given below are two statements, labelled as Assertion and Reason. In the context of two statements, which one of the following is correct?

- a. both A and R are true and R is the correct explanation of A
 b. both A and R are true but R is not the correct explanation of A
 c. A is true but R is false
 d. A is false but R is true

93. Assertion Quasi contractual relationships are not based on the intentions of the parties
 Reason In quasi contracts, this relation is imposed upon the parties by the law

94. Assertion Quasi contract are enforceable even, if the essential elements of contract are not there.
 Reason Quasi contractual obligations have specifically made enforceable

95. Assertion A quasi contract is not a contract in the strict sense of the term.
 Reason In quasi contract, there is no contract in existence

96. Assertion The agreement is supported by a lawful considerations.
 Reason There must be an agreement to form a valid contract.

97. Assertion Contract of indemnity is a special contract.
 Reason A contract of agency is the contract of indemnity

98. Assertion A proposal emerges from the acceptance of a contract.
 Reason A proposal when acceptance becomes a promise

99. Match the following.

List-I	List-II
a. section 68	1. liability of finder of goods
b. section 69	2. supply of necessities to incompetent person
c. section 70	3. payment made by interested persons
d. section 71	4. compensation for non-gratuitous acts

Codes

	A	B	C	D
a.	1	2	3	4
b.	2	3	4	1
c.	3	2	1	3
d.	3	4	2	1

100. Match the following

List-I	List-II
a. contract	1. accepted proposal
b. offer	2. agreement enforceable by law
c. promise	3. proposal

Codes

	A	B	C
a.	2	3	1
b.	1	3	2
c.	1	2	3
d.	3	2	1

ANSWERS →

1=C	2=B	3=B	4=A	5=C	6=C	7=A	8=A	9=A	10=A
11=D	12=B	13=A	14=C	15=D	16=D	17=B	18=C	19=D	20=D
21=D	22=B	23=B	24=B	25=C	26=A	27=D	28=D	29=B	30=C
31=C	32=A	33=B	34=C	35=A	36=C	37=B	38=C	39=A	40=A
41=B	42=D	43=D	44=D	45=B	46=D	47=C	48=C	49=B	50=D
51=C	52=B	53=C	54=C	55=C	56=A	57=A	58=A	59=D	60=A
61=D	62=C	63=C	64=C	65=C	66=B	67=C	68=B	69=C	70=C
71=C	72=B	73=B	74=D	75=B	76=D	77=A	78=C	79=C	80=D
81=C	82=D	83=C	84=C	85=C	86=A	87=C	88=C	89=C	90=A
91=C	92=C	93=A	94=A	95=A	96=B	97=C	98=D	99=B	100=A

PRACTICE SETS'

1. Limited liability partnership is the combination of

1. partnership
2. Joint stock company
3. public and company
4. Private company

5. conventional partnership

Select the correct answer by using the codes given below:

- a. 1
- b. 1 2 4
- c. 4 5
- d. all of the above

2. The formation and regulation of LLP is governed by

- a. Partnership Act 1932
- b. companies Act 2013
- c. Limited liability partnership act 2008
- d. limited liability partnership act 2010

3. who can be partner in a limited liability partnership?

- a. An individual
- b. a body corporate
- c. a HUF
- d. both a and b

4. To whom the LLP files its LLP agreement?

- a. to central government
- b. to its partners
- c. to registrar
- d. to statem government

5. which form is used by the LLP to file its LLP agreement with the Registrar?

- a. form 2
- b. form 3
- c. form 5
- d. form 7

6. LLP shall file its LLP agreement with the registrar within _____ - of its incorporation.

- A 15 days
- b. 30 days
- c. 45 days
- d. 90 days

7. Arrange the steps of incorporation of a LLP in sequence.

1. application for DPIN
2. Filing of LLP agreement
3. application for DSC
4. Incorporation of LLP

Codes

- a. 1 3 2 4
- b. 3 1 4 2
- c. 2 1 3 4
- d. 1 2 3 4

8. consider the following statements regarding limited liability partnership.

1. it provides an alternative to the traditional partnership with unlimited personal liability on the one hand and the statue based company on the other.
2. Unlike company it does not allow individual partners to be protected from the joint and several liabilities of partners in a partnership firm.

Identify the correct statement.

Codes

- a. 1 b. 2 c. both a and b d. none of the above
9. DPIN stands for
 a. designated partner identification number b. director personal identification number
 c. director and partner identification number d. direct partner identification number.
10. Minimum number of partners in LLP
 a. 1 b. 2 c. 3 d. 4
11. Who cannot become partner in LLP?
 a. person who has been found of unsound mind
 b. person who is an undischarged insolvent
 c. person who has applied to be adjudicated as an insolvent
 d. all of the above
12. A person shall cease to be partner of LLP
 a. on receiving advance from LLP
 b. on giving advance to LLP
 c. on his death
 d. after completing age of 60 years
13. Partner of LLP is personally liable in case of
 a. liabilities of LLP
 b. Personal liability of other partner
 c. his own personal liability
 d. wrongful act or omission of any other partner
14. Document which is defining the role and obligations of partner in LLP
 a. partnership deed b. LLP agreement
 c. MoA d. AoA
15. Incorporation documents shall be filed by LLP with
 a. tribunal b. SEBI
 c. registrar d. central government

ANSWER KEYS'

1=C	2=C	3=D	4=C	5=B	6=B	7=B	8=A	9=A	10=B
11=D	12=C	13=C	14=B	15=C					

PRACTICE SETS'

1. In the year 2002, the competition Act was enacted replacing
 a. contract Act b. trademark act
 c. MRTP Act d. copyright act
2. CCI stands for
 a. competition commission of India b. cricket council of India
 c. contract commission of India d. container corporation of India
3. When was CCI established?
 a. 2nd October 2003 b. 14th march 2003
 c. 14th may 2003 d. 14th October 2003
4. competition Act 2002 bill got presidential assent in
 a. December 2003 b. January 2003

- c. march 2003 d. November 2003
5. Whose association can be taken as an cartel?
a. supplier b. distributor
c. trader d. all of these
6. what is the minimum number of members to be appointed by central government in CCI as per competition Act 2002?
a. 1 b. 2 c. 3 d. 4
7. what is the maximum number of members to be appointed by the central government in CCI, as per the competition Act 2002?
a. 1 b. 5 c. 6 d. 7
8. Which section of the competition Act 2002 enlists abuse of dominant position?
a. section 2 b. section 3 c. section 4 d. section 5
9. Which section of the competition act 2002 enlists anti competitive agreements?
a. section 2 b. section 3 c. section 4 d. section 5
10. which section of the competition act 2002 details combinations?
a. section 2 b. section 3 c. section 4 d. section 5
11. What can not be acquired as per the competition act 2002?
a. share b. voting right c. management control d. none of these
12. which of the following as per the competition act 2002, is exempted as anti competitive agreement?
a. patent b. trademark c. copyright d. all of these
13. as per the competition act 2002, what is the tenure of the chairman of the CCI?
a. 2 years b. 3 years c. 4 years d. 5 years
14. What is the number of days, after giving notice to CCI, an enterprise can enter into a combination, as per the competition act 2002
a. 60 days b. 180 days c. 210 days d. 240 days
15. how many number of days for notice is to be given to CCI while an enterprise proposes to enter into a combination, as per the competition act 2002
a. 7 days b. 15 days c. 30 days d. 45 days
16. _____ is horizontal agreement
a. cartel b. exclusive distribution
c. resale price maintenance d. tie-in-arrangement
17. competition commission of India consists of a _____ appointed by the central government
a. chairperson and four members b. chairperson and six members
c. director and four members d. director and six members
18. what is the most crucial component of the competition act 2002?
a. abuse of dominance b. anti competition agreement
c. combination regulations d. competition advocacy
19. CCI shall not initiate an inquiry into a combination after the expiry of _____ years from the date on which the combination has taken effect
a. one b. two c. three d. five

20. which of the following is a vertical agreements?

- a. bid rigging b. market share c. price fixation d. refusal to deal

Answer Keys

1=C	2=A	3=B	4=B	5=D	6=B	7=C	8=C	9=B	10=D
11=D	12=D	13=D	14=C	15=C	16=A	17=B	18=D	19=A	20=D

Previous Year Questions

1. Which of the following does not form the part of the important information to be incorporated in the MoA as specified in the companies Act 2013?

- a. the name of the company and the state in which it is situated
b. the objects for which the company is proposed to be incorporated
c. the rules, regulations and bye-laws for the internal management of the company
d. the liability of the members of the company, whether limited or unlimited

2. Which one of the following is not correct relating to competition policy and law?

- a. collusion and dominance have potential for unfair competition
b. the appeal against decisions of competition commission of India can be made to the competition Appellate tribunal
c. state monopolies governments business policies and functioning of regulatory authority cannot be scrutinized under this law
d. abuse of dominance rather than dominance should be the key for competition policy law

3. Which of the following is not the objective of the competition act 2002?

- a. prohibition of restrictive trade practices
b. prohibition of dominant position
c. prohibition of anti competitive agreements
d. regulation of combinations

4. The competition act 2002 seeks to regulate

- a. anti competitive agreements b. mergers and amalgamation
c. unfair trade practices d. both a and b

5. Indicate the true statement

- a. large industrial houses are outside the purview of the competition act 2002
b. there is no provision for curbing frivolous complaints under the CPA
c. the trademark act 1999 does not apply to services
d. all of the above

6. which of the following is not regulated by the competition act 2002?

- a. abuse of dominant position b. anti competitive agreements
c. medical negligence d. predatory pricing

IT ACT

Information Technology Act, 2000

In 1996, the **United Nations Commission on International Trade Law (UNCITRAL)** adopted the model law on electronic commerce (e-commerce) to bring uniformity in the law in different countries.

Further, the General Assembly of the United Nations recommended that all countries must consider this model law before making changes to their own laws. India became the 12th country to enable cyber law after it passed the Information Technology Act, 2000.

information technology act, 2000

While the first draft was created by the Ministry of Commerce, Government of India as the ECommerce Act, 1998, it was redrafted as the 'Information Technology Bill, 1999', and passed in May 2000.

Objectives of the Act

The Information Technology Act, 2000 provides legal recognition to the transaction done via electronic exchange of data and other electronic means of communication or electronic commerce transactions.

This also involves the use of alternatives to a paper-based method of communication and information storage to facilitate the electronic filing of documents with the Government agencies.

Further, this act amended the Indian Penal Code 1860, the Indian Evidence Act 1872, the Bankers' Books Evidence Act 1891, and the Reserve Bank of India Act 1934. The objectives of the Act are as follows:

- ❖ Grant legal recognition to all transactions done via electronic exchange of data or other electronic means of communication or e-commerce, in place of the earlier paper-based method of communication.
- ❖ Give legal recognition to digital signatures for the authentication of any information or matters requiring legal authentication
- ❖ Facilitate the electronic filing of documents with Government agencies and also departments
- ❖ Facilitate the electronic storage of data
- ❖ Give legal sanction and also facilitate the electronic transfer of funds between banks and financial institutions
- ❖ Grant legal recognition to bankers under the Evidence Act, 1891 and the Reserve Bank of India Act, 1934, for keeping the books of accounts in electronic form.

Features of the Information Technology Act, 2000

- ❖ All electronic contracts made through secure electronic channels are legally valid.
- ❖ Legal recognition for digital signatures.
- ❖ Security measures for electronic records and also digital signatures are in place
- ❖ A procedure for the appointment of adjudicating officers for holding inquiries under the Act is finalized
- ❖ Provision for establishing a Cyber Regulatory Appellant Tribunal under the Act. Further, this tribunal will handle all appeals made against the order of the Controller or Adjudicating Officer.
- ❖ An appeal against the order of the Cyber Appellant Tribunal is possible only in the High Court
- ❖ Digital Signatures will use an asymmetric cryptosystem and also a hash function
- ❖ Provision for the appointment of the Controller of Certifying Authorities (CCA) to license and regulate the working of Certifying Authorities. The Controller to act as a repository of all digital signatures.
- ❖ The Act applies to offences or contraventions committed outside India
- ❖ Senior police officers and other officers can enter any public place and search and arrest without warrant
- ❖ Provisions for the constitution of a Cyber Regulations Advisory Committee to advise the Central Government and Controller.

Applicability and Non-Applicability of the Act

Applicability

According to Section 1 (2), the Act extends to the entire country, which also includes Jammu and Kashmir. In order to include Jammu and Kashmir, the Act uses Article 253 of the constitution. Further, it does not take citizenship into account and provides extra-territorial jurisdiction.

Section 1 (2) along with Section 75, specifies that the Act is applicable to any offence or contravention committed outside India as well. If the conduct of person constituting the offence involves a computer or a computerized system or network located in India, then irrespective of his/her nationality, the person is punishable under the Act.

Lack of international cooperation is the only limitation of this provision.

Non-Applicability

According to Section 1 (4) of the Information Technology Act, 2000, the Act is not applicable to the following documents:

Execution of Negotiable Instrument under Negotiable Instruments Act, 1881, except cheques.

Execution of a Power of Attorney under the Powers of Attorney Act, 1882.

Creation of Trust under the Indian Trust Act, 1882.

Execution of a Will under the Indian Succession Act, 1925 including any other testamentary disposition by whatever name called.

Entering into a contract for the sale of conveyance of immovable property or any interest in such property.

Any such class of documents or transactions as may be notified by the Central Government in the Gazette.

Solved Question for You

Q1. What are the objectives of the Information Technology Act, 2000?

Answer:

The primary objectives of the IT Act, 2000 are:

- ❖ Granting legal recognition to all transactions done through electronic data exchange, other means of electronic communication or e-commerce in place of the earlier paper-based communication.
- ❖ Providing legal recognition to digital signatures for the authentication of any information or matters requiring authentication.
- ❖ Facilitating the electronic filing of documents with different Government departments and also agencies.
- ❖ Facilitating the electronic storage of data
- ❖ Providing legal sanction and also facilitating the electronic transfer of funds between banks and financial institutions.
- ❖ Granting legal recognition to bankers for keeping the books of accounts in an electronic form. Further, this is granted under the Evidence Act, 1891 and the Reserve Bank of India Act, 1934.

MCQs

Q1. When IT Act 2000 came into effect?

- A. 17 October, 2000
- B. 11 November, 2000
- C. 17 October, 2001
- D. 11 November, 2001

Q2. IT Act 2000 amended various sections of which of the following Acts?

- A. Indian Penal Code 1860
- B. Reserve Bank of India Act 1934
- C. Indian Evidence Act 1872
- D. All of the above

Q3. Which one of the following is outside the scope of IT Act 2000

- A. Electronic gift
- B. Power of Attorney with digital signature
- C. Electronic message
- D. Electronic Evidence

Q4. Which is outside the scope of IT ACT?

- A. Will
- B. Negotiable instrument except cheque
- C. Power of attorney
- D. All of the above

Q5. Which one is within the scope of IT ACT?

- A. Trust
- B. Electronic Agreement of sale of immovable property with digital signature
- C. Will
- D. Truncated Cheque

Q6. Ram has a office in Kolkata , from where he accessed server of google situated in New York and hacked password file . Is IT Act applicable on him

- A. Yes
- B. No

Q7. Ram has a office in New York , from where he accessed server of google situated in Kolkata and hacked password file . Is IT Act applicable on him

- A. Yes
- B. No

Q8. Ram has a office in New York , from where he accessed server of google situated in canada and hacked password file . Is IT Act applicable on him

- A. Yes
- B. No

Q9. Which of the following is an example of Intellectual property ?

- A. Trade Marks
- B. Copyright
- C. Patent
- D. All of the above

Q10. IT (Amendment)Act 2008 with amend IT Act 2000 , become effective from

- A. 27 oct 2008
- B. 27 oct 2009
- C. 21 july 2008
- D. 21 may 2009

Q11. Which Act casts responsibility on body corporate to protect sensitive personal information and provide punishment for offences by companies.

- A. IT Act 2000
- B. IT (Amendment)Act 2008
- C. Indian penal code
- D. none

Q12. The section deals with legal recognition of electronic records

- A. Section 6
- B. Section 3
- C. Section 4
- D. Section 5

Q13. The section deals with legal recognition of digital signature

- A. Section 3
- B. Section 5
- C. Section 6
- D. Section 4

Q14. Which Act in India focuses on data protection and Data privacy ?

- A. Banking Regulation Act 1949
- B. IT Act 2000
- C. Indian Penal Code
- D. IT (amendment) Act 2008

Q15. Which section of IT Act deals with Child pornography and punishment provided by it for first conviction ?

- A. Section 27A , imprisonment upto 5 years plus fine upto 1000000
- B. Section 67D , imprisonment upto 3 years plus fine upto 500000
- C. Section 67C , imprisonment upto 3 years plus fine upto 500000
- D. Section 67B , imprisonment upto 5 years plus fine upto 1000000

Q16. Which section of IT Act deals with publishing sexually explicit content in e form and punishment provided by it for first conviction ?

- A. Section 67A , imprisonment upto 5 years plus fine upto 1000000
- B. Section 67A , imprisonment upto 3 years plus fine upto 500000
- C. Section 67B , imprisonment upto 5 years plus fine upto 1000000

D. Section 67B , imprisonment upto 3 years plus fine upto 500000

Q17 Which of the following Act is not amended by IT Act 2000

- A. Indian Penal Code 1860
- B. Reserve Bank of India Act 1934
- C. Bankers Book Evidence Act 1891
- D. Income tax Act 1961

Q18. What is the proposed punishment for Cyber Terrorism in IT Act?

- A. 1 crore rupees penalty
- B. Life Imprisonment
- C. 10 year imprisonment
- D. 6 year imprisonment

Q19. Which section of IT Act 2000 proposes a punishment of life imprisonment?

- A. Section 66F
- B. Section 66C
- C. Section 66B
- D. Section 66A

Q20. What is the penalty(max) for destroying computer source code?

- A. Three year imprisonment or 3 lakh rupees penalty or both
- B. Two year imprisonment or 2 lakh rupees penalty or both
- C. Three year imprisonment or 5 lakh rupees penalty or both
- D. Three year imprisonment or 2 lakh rupees penalty or both

Q21. What is the time limit for filing appeal against the order of Cyber appellate tribunal?

- A. 30 days
- B. 90 days
- C. 60 days
- D. 45 days

Q22. What is the penalty for publishing images of a person's private parts without consent, as per IT Act 2000?

- A. upto 5 years imprisonment or upto 5 lakh rupees penalty or both
- B. Life imprisonment
- C. upto 3 years imprisonment or upto 2 lakh rupees penalty or both
- D. None of the above

Q23. Which section of IT Act deals with Cyber terrorism?

- A. Section 66C
- B. Section 66B
- C. Section 66F
- D. Section 66A

Q24. Penalty of not filing a document within prescribed time

- A. upto 2000 per day
- B. upto 3000 per day
- C. upto 4000 per day
- D. upto 5000 per day

Q25. What is the punishment for hacking of computers?

- A. upto Three year imprisonment or upto 10 lakh rupees penalty or both
- B. Life Imprisonment
- C. upto Three year imprisonment or upto 5 lakh rupees penalty or both
- D. upto Three year imprisonment or upto 2 lakh rupees penalty or both

Q26. What is the punishment for identity theft in IT Act?

- A. Upto Five year imprisonment & upto 5 lakh rupees
- B. Upto Three year imprisonment & upto 1 lakh rupees
- C. Upto Three year imprisonment or 1 lakh rupees penalty or both
- D. Upto Five year imprisonment or upto 5 lakh rupees or both

Q27. What is/are component of IT Act 2000 ?

- A. Regulation of Certification Authorities.
- B. Digital Certificates
- C. Legal Recognition to Digital Signatures
- D. All of the above

Q28. Controller of Certifying Authorities (CCA) work under ?

- A. Autonomous body
- B. Prime Minister office
- C. Ministry of Communication & IT
- D. Reserve Bank of India

Q29. Which section of IT Act deals with the appointment of Controller of certifying authorities?

- A. Section 5
- B. Section 15
- C. Section 10
- D. Section 17

Q30. Which Act which provides legal framework for e-Governance in India?

- A. Indian Penal Code
- B. IT (amendment) Act 2008
- C. IT Act – 2000
- D. None of the above

Q31. How many schedules are there in IT Act 2000?

- A. 3
- B. 4
- C. 6
- D. 2

Q32. As per SEBI norms Auditor must have _____ years of experience to perform Audit

- A. 5
- B. 10
- C. 3
- D. 4

Q33. Audit schedules must be submitted to SEBI in _____ advance

- A. 5 months
- B. 6 months
- C. 3 months
- D. 2 months

Q34. Each Non-Conformities must be corrected by auditee management within a period of _____ and reported to SEBI.

- A. 1 month
- B. 2 month
- C. 3 month
- D. 4 month

Q35. As per IRDA all insurer must get their system & processes audited once in _____ years by a CA

- A. 3
- B. 5
- C. 4
- D. 6

Q36. What enable enterprise to get certified by an independent certification body which confirms that IS security is implemented in best possible manner?

- A. ITIL
- B. SA 402
- C. ISO27001
- D. BS47001

Q37. The authentication to be affected by use of asymmetric crypto system and hash function is known as

- A) Public key
- B) Private Key
- C) Digital signature
- D) E governance

Q38 Digital signature created and verified using

- A. Program
- B. Graphical coding
- C. HTML
- D. Cryptography

Q39 Private key is used to

- a. Digitally sign
- b. Verify the sign
- c. Verify the document
- d. coding

Q40. Public key is used to

- A. Digitally sign
- B. Verify the sign
- C. Verify the document
- D. coding

Q41 Verification of electronic record is possible through

- a. Public key
- b. Private key
- c. Digital signature
- d. Qualified staff and managent

Q42. the central government may appoint a _____ of certifying authority who shall exercise supervision over the activities of certifying Authorities .

- a. Commissioner
- b. Controller
- c. Executive
- d. President

Q43. The certifying authority empowered to issue a Digital Signature certificate shall have to procure a licence from the _____ to issue a Digital Signature certificate

- A. Controller of certifying authority
- B. Central government
- C. State government
- D. Commissioner of certifying authority

Q44 . _____ is the person in whose name the digital signature certificate is issued

- A. Certified authority
- B. subscriber
- C. holder
- D. Controller

Q45. the _____ has the power to suspend or revoke Digital Signature certificate .

- A. Certified authority
- B. subscriber
- C. commissioner
- D. Controller

Q46. Which is the appeal court on the orders issued by Cyber appellate tribunal?

- A. Municipal court
- B. District Court
- C. High Court
- D. Supreme Court

Q47. As per IT Act 2000 if you fail to maintain books of accounts you will be penalized upto

- A. 5000 per day
- B. 50000
- C. rs 10000 per day
- D. NIL

Q48 E-record and Digital Signature are used to

- A. Filing of any form in government
- B. Issue of grant
- C. Make payment
- D. All of the above

Q49 As per IT Act 2000 those who fail to furnish documents will be penalized upto

- A. 5000 per day
- B. 50000
- C. 25000
- D. 150000

Q50 How many volumes does ITIL v3 provide

- A. 3
- B. 4
- C. 5
- D. 6

Q51. What provide set of practices for IT Service Management with focus on aligning IT service with business needs?

- A. Cobit 5
- B. ISO27001
- C. SA402
- D. ITIL

Q52. How many phase of ISMS are provided by ISO27001

- A. 4
- B. 5
- C. 6
- D. 8

Q53. What does ISMS stands for .

- A. Information system manage security
- B. Information system management security
- C. Information security management system
- D. none

Q54. Which phase of ISMS review the effectiveness of ISMS

- A Plan phase
- B. Do phase
- C. Check phase
- D. Act phase

Q55. Which phase of ISMS provide for the implementation of identified improvements

- A. Plan phase
- B. Do phase
- C. Check phase
- D. Act phase

Q56. Which phase of ISMS determine the scope of ISMS

- A. Plan phase
- B. Do phase
- C. Check phase
- D. Act phase

Q57. Which Volume of ITIL provide guidance on measurement of service performance throughout the life cycle and improvements to ensure service deliver maximum benefits ?

- A. Service strategy
- B. Service transition
- C. Service operation
- D. Continual service improvement

Q58. As per IRDA guidelines who is not eligible to perform system audit

- A. CA with less than 4 years of experience
B. Last year Auditor
C. Statutory auditor
D. Cost Auditor

Q59. Section 67,67A,67B applies in reference of children who have not completed _____ years of age ?

- A. 12
B. 14
C. 16
D. 18

Q60. Which SA provide the responsibilities of auditor to obtain sufficient audit evidences when entity uses the service of one or more service organization

- A. SA402
B. SA406
C. SA408
D. SA410

Q61. Where company commits a offence under IT Act , who shall be punished ?

- A. Company
B. Directors
C. Person incharge
D. Company and every person incharge

ANSWER KEYS'

1	A	10	B	19	A	28	C	37	C	46	C	55	D
2	D	11	B	20	D	29	D	38	D	47	C	56	A
3	B	12	C	21	C	30	C	39	A	48	D	57	D
4	D	13	B	22	C	31	B	40	B	49	D	58	C
5	D	14	D	23	C	32	C	41	C	50	C	59	D
6	A	15	D	24	D	33	D	42	B	51	D	60	A
7	A	16	A	25	C	34	C	43	A	52	A	61	D
8	B	17	D	26	B	35	A	44	B	53	C	62	---
9	D	18	B	27	D	36	C	45	A	54	C	63	---

PRACTICE SETS'

1. which of the following the act provides legal framework for e-governance in India?

- a. Indian penal code
b. E-governance Act 2000
c. IT Act 2000
d. IT Act 2002

2. Which among the following act, is not amended in information technology act 2000

- a. the bankers books evidence act 1981
b. BSNL IT Policy
c. RBI aact 1934
d. the Indian Evidence Act 1872

3. How many schedules are there in IT Act 2000?

- a. 2
b. 3
c. 4
d. 6

4. Which section of IT Act deals with hacking of computer systems and its penalties?

- a. section 62
b. section 63
c. section 64
d. section 66

5. Which section of IT Act deals with cyber terrorism?

- a. section 66A
b. section 66B
c. section 66D
d. dection 66F

6. which section of IT Act deals with the legal recorginsation of electronic records?

- a. section 4
b. section 5
c. section 5
d. section 7

7. E-records and digital signatures are used to

- a. filling of any form in government
c. making payment
- b. issue of grant
d. all of the above
8. verification of electronic record is possible through
a. digital signature
c. public key
- b. e-commerce
d. e-governance
9. digital signature is created and verified using
a. HTML
c. cryptography
- b. programme
d. graphical coding
10. private key is used to
a. sign digitally
c. verify the documents
- b. verify the sign
d. make payments
11. public key is used to
a. sign digitally
c. verify the documents
- b. verify the sign
d. make payment
12. _____ is a person in whose name the digital signature certificate is issued
a. certified authority
c. holder
- b. subscriber
d. controller
13. who has the power to suspend or revoke digital signature certificate?
a. certifying authority
c. subscriber
- b. commissioner
d. controller
14. the components of IT Act 2000 includes
1. legal recognition of digital signatures
2. regulation of certification authorities
3. digital certificates
Codes
a. 1
b. 1 2
c. 2 3
d. all of the above
15. Which section of IT Act deals with the appointment of controller of certifying authorities?
a. section 5
b. section 10
c. section 14
d. section 17
16. what is the maximum term given for publishing electronic obscene information?
a. 2 years
b. 5 years
c. 10 years
d. 15 years
17. as per IT Act 2000, those who fail to furnish documents will be penalized upto
a. 5000
b. 25000
c. 50000
d. 150000
18. What is the penalty for hacking of computers?
a. three years imprisonment or Rs 500000.
b. three years imprisonment or Rs 300000
c. two years imprisonment or Rs 200000
d. ten years of imprisonment or Rs 1000000
19. The authentication to be affected by use of asymmetric Crypto system and hash function is known as
a. public key
b. private key
c. digital key
d. e-governance
20. The central government may appoint a _____ of certifying authority who shall exercise supervision over the activities of certifying authorities.
a. commissioner
b. controller

- c. executive d. president
21. A person who has been granted a license to issue a digital signature certificate is
a. controller b. certifying authority
c. licensed authority d. director general
22. as per information technology act 2000, if you fails to maintain books of account, then you will be penalized upto
a. Rs 5000 per day b. Rs 50000
c. Rs 25000 d. Rs 150000
23. As per the IT Act, what is the maximum penalty for damage to computer, computer systems, unauthorized access, download of data, infecting with virus, denial of access etc.
a. Rs 50 lakh b. Rs 75 lakh c. Rs 1 crore d. Rs 5 crore
24. What is the time limit to get the information under RTI Act 2005?
a. 15 days b. 30 days c. 45 days d. 60 days
25. what is the fee for getting information under RTI Act
a. Rs 10 b. Rs 20 c. Rs 50 d. Rs 100
26. central chief information commissioner (CIC) is appointed by
a. president b. vice-president c. prime minister d. home minister
27. Which section of RTI Act 2005 deals with obligations of public authorities?
a. section 6 b. section 7 c. section 4(1) d. section 8
28. which section of RTI Act 2005 deals with constitution of central information commission?
a. section 11 b. section 16 c. section 14 and 15 d. section 12 and 13
29. time limit for disposal of first appeal by the first appellate authority is
a. 10 to 15 days b. 30 to 45 days c. 50 to 65 days d. 70 to 90 days
30. Right to Information includes the right to obtaining information in the form of
a. diskettes b. floppies c. tapes d. all of these
31. the preamble to the RTI Act states that transparency of information is vital to
a. eradicate corruption b. contain corruption
c. promote corruption d. measure corruption
32. which section of RTI act deals with exemption from disclosure of information?
a. section 7 b. section 5 c. section 9 d. section 11
33. the officer designated by the public authorities in all administrative units or offices under it to provide information to the citizen requesting for information under the act is known as
a. appellate authority b. chief information commissioner
c. public information officer d. assistant public information officer
34. If the interests of a third party are involved in information sought for, the maximum time limit to get the information will be
a. 30 days b. 40 days c. 45 days d. 60 days
35. If information sought has been supplied by third party or is treated as confidential by that third party, the third party must be given a representation before the PIO in reply to the notice issued to him within _____ days from the date of receipt of such notice.

- a. 5 b. 15 c. 10 d. 7
36. First appeal to the first Appellate authority can be preferred by the applicant within _____ days from the expiry of the prescribed time limit or from the receipt of the decision from the PIO
a. 30 b. 45 c. 60 d. 90
37. First appeal shall be disposed of by the first appellate authority within _____ days from the date of its receipt
a. 30 b. 40 c. 50 d. 60
38. period for disposing first appeal can be expand by _____ days from 30 days, if necessary.
a. 10 b. 30 c. 15 d. 25
39. Second appeal to the central information commission or the state Information commission can be preferred by the applicant within _____ days from the date on which the decision was given or should have been made by the first appellate authority.
a. 30 b. 45 c. 60 d. 90
40. The long title of the RTI Act seeks to promote the following quality in the working of every public authority
a. transparency b. efficiency c. punctuality d. all of these

ANSWER KEYS

1=C	2=B	3=C	4=C	5=D	6=A	7=D	8=A	9=C	10=A
11=B	12=B	13=A	14=D	15=D	16=C	17=C	18=A	19=C	20=B
21=B	22=C	23=C	24=B	25=A	26=A	27=C	28=D	29=B	30=D
31=B	32=B	33=C	34=B	35=C	36=A	37=A	38=C	39=D	40=A

UNIT-12

INCOME TAX LAW & PLANNING

What is Income as per Income Tax Act?

The word Income has a very broad and inclusive meaning which is defined under section 2(24) of income tax act, without getting too in depth we will understand it broadly.

- ❖ In case of a salaried person, whatever amount received from an employer, either in cash or kind or as a facility is considered as income.
- ❖ For a businessman, his profits and gains will constitute income
- ❖ For professionals, freelancers etc. their earnings from various sources like professional fees, other incomes etc. are considered as Income.
- ❖ You might receive Rental income from house owned.
- ❖ Or capital gains from sale of shares, buying or selling of property etc.
- ❖ Income may also flow from investments in the form of Interest, Dividend, and Commission etc.
- ❖ Income Tax Department has classified income in 5 broad categories. **Those are:**

Income from Salary : The amount received by you from your employer every month comes under the head income from salary. As per law, employer-employee relationship is must to consider the amount as income from salary else it will be considered under other head and therefore exemptions, allowances available to a salaried individuals will not be available.

The amount of your Salary includes basic pay, dearness allowance, medical, transport, annuity, gratuity, advance of salary, allowances, commission, perquisites in lieu of salary and retirement benefits etc.; The aggregate of the above incomes, after the exemptions but before the deductions, is known as Gross Salary and this is charged under the head income from salary. (you can refer to column no. 6 of your Form- 16 to know your taxable salary amount)

Income from House property : Any Rental Income from residential or commercial property that you own will be taxed. If you have home loan then interest part of it would also be considered as negative income from House property.

Income from Business or Profession : Income earned through business or profession is taxable under the head 'profits and gains of business or profession'. The income on which tax is levied shall be net of expenses.

The income on which tax is levied shall be net of expenses.

Income from capital gains : Any profit or gain arising from transfer of capital asset held as investments (such as house, Jewellery are chargeable to tax under the head capital gains. The gain can be on account of short-term and long-term gains. Our article Basics of Capital Gain talks about it in detail.

Income from other sources : Any income that does not come under the above four heads of income is taxed under the head income from other sources. For eg. savings bank interest, lottery you win (probably never :P) or Reality shows like "Kaun Banega crorepati" etc. all these Incomes are taxable that means the person winning 1 Crore in the show will have to pay 30% of tax. so he actually never became crorepati.

What is PAN?

PAN stands for Permanent Account Number, it's a ten-digit unique alphanumeric number issued by the Income Tax Department that acts as an identification for us. Whether we are Individual, HUF, Company, Firm, or any other assessee, the same can be known through our PAN . PAN is a prerequisite for filing ITR, also the tax department can trace all our communications, returns, refunds, and other activities relating to Income Tax through our PAN. It looks like as shown in image.

Where,

First Five digits will always be Alphabetic, Next four digits - Numeric and the Last digit - Alphabetic But, the 4th letter is important as it denotes type of assessee (Individual, Company, Firm Etc.)

What is TAN?

TAN refers to Tax Deduction Number which is a 10 digit alphanumeric number allotted to those who are liable to deduct TDS by the Income Tax Department.

TAN Format- JPRD00214F

First Four digit Alphabetic, then after Five digit Numeric and last digit is Alphabetic.

Who is an assessee?

As per Income Tax Act, an assessee means "a person by whom any tax or any other sum of money is payable under this Act".

In layman's term if you are liable to pay taxes, have any taxable income, or otherwise required to file ITR, you are an assessee. The Income Tax Act, 1961 has classified Assessee in different categories.

What is the difference between Financial Year and Assessment Year?

Financial Year is the year in which you have earned income. On the other hand, Assessment Year is always the succeeding year in which you file your Previous Year Income Tax Return, and offer the particulars of your income earned during the Previous Year to be assessed by the Income Tax Department.

What is Income Tax?

An income tax is a tax imposed by government on income earned by you. Income tax is a key source of funds that the government uses to fund its activities and serve the public.

What is Corporate Tax?

When Companies pay taxes under the Income Tax Act it is normally called Corporate tax.

Which body governs filing of taxes in India?

The Central Board of Direct Taxes (CBDT) provides essential inputs for policy and planning of direct taxes in India and is also responsible for administration of the direct tax laws through Income Tax Department.

CPC Bengaluru or Income Tax Centralized Processing Centre undertakes the work of receiving and processing all income tax returns filed in India.

Do I have to file my Income Tax Return?

Whether you are required to file your income tax return or not depends upon a number of conditions. One such basic condition being, if your income exceeds Rs. 2,50,000 in a Financial Year you are required to file ITR.

What is Form-16?

Form 16 is issued to salaried individuals, by their employers. This form prescribes details regarding

TDS deducted and

The Salary and Amount Received

Allowances (like amount paid for HRA, medical reimbursements etc)

Other Income if detail provided to the Employer.

Deductions etc

Form is given at the end of year and helps you file your income tax return as a breeze .

It is to be noted that deduction of TDS does not free you from the mandate of Filing of Income tax return.

What is Form 26AS?

Form 26AS is a statement maintained and generated by the Income Tax Department for each individual assessee (person). Form 26AS is also known as annual statement which contains all tax related information of a taxpayer. The details give a clearer picture of the tax commitments of a taxpayer. It is associated with PAN. Form 26AS contains:

Details of tax deducted on your income by deductors

Details of tax collected by collectors

Advance tax paid by the taxpayer

Self-assessment tax payments

Regular assessment tax deposited by the taxpayers (PAN holders)

Refund received during the financial year

High value Transactions in respect of shares, mutual fund etc. performed during the year

Tax Rates

1. In case of an Individual (resident or non-resident) or HUF or Association of Person or Body of Individual or any other artificial juridical person

Assessment Year 2019-20

Taxable Income	Tax Rate
Up to Rs. 2,50,000	Nil
Rs. 2,50,000 to Rs 5,00,000	5%
Rs. 5,00,000 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

Less: Rebate under Section 87A [see Note]

Add: Health and Education Cess [see Note]

Assessment Year 2020-21

Taxable Income	Tax Rate
Up to Rs. 2,50,000	Nil
Rs. 2,50,000 to Rs 5,00,000	5%
Rs. 5,00,000 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

Less: Rebate under Section 87A [see Note]

Add: Surcharge and Health & Education Cess [see Note]

2. In case of a resident senior citizen (who is 60 years or more at any time during the previous year but less than 80 years on the last day of the previous year)

Assessment Year 2019-20

Taxable Income	Tax Rate
Up to Rs. 3,00,000	Nil
Rs. 3,00,000 to Rs 5,00,000	5%
Rs. 5,00,000 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

Less: Rebate under Section 87A [see Note]

Add: Health and Education Cess [see Note]

Assessment Year 2020-21

Taxable Income	Tax Rate
Up to Rs. 3,00,000	Nil
Rs. 3,00,000 to Rs 5,00,000	5%
Rs. 5,00,000 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

Less: Rebate under Section 87A [see Note]

Add: Surcharge and Health & Education Cess [see Note]

3. In case of a resident super senior citizen (who is 80 years or more at any time during the previous year)

Assessment Year 2019-20

Taxable Income	Tax Rate
Up to Rs. 5,00,000	Nil
Rs. 5,00,000 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

Add: Surcharge and Education Cess [see Note]

Assessment Year 2020-21

Taxable Income	Tax Rate
Up to Rs. 5,00,000	Nil
Rs. 5,00,000 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

Add: Surcharge and Health & Education Cess [see Note]

Assessment Year 2019-20

a) Surcharge:

Surcharge is levied on the amount of income-tax at the following rates if total income of an assessee exceeds specified limits:

*Nature of Income**Range of income*

	<i>Up to Rs. 50 lakh</i>	<i>More than Rs. 50 lakh but up to Rs. 1 crore</i>	<i>More than Rs. 1 crore</i>
Any Income	<i>Nil</i>	10%	15%

The surcharge shall be subject to marginal relief:

- i) Where income exceeds Rs. 50 lakhs, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 50 lakhs by more than the amount of income that exceeds Rs. 50 lakhs.
- ii) Where income exceeds Rs. 1 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.

b) Health and Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

c) Rebate under Section 87A: The rebate is available to a resident individual if his total income does not exceed Rs. 3, 50,000. The amount of rebate shall be 100% of income-tax or Rs. 2,500, whichever is less.

Assessment Year 2020-21

a) Surcharge:

Surcharge is levied on the amount of income-tax at following rates if the total income of an assessee exceeds specified limits:

<i>Nature of Income</i>	<i>Range of Total Income</i>					
	<i>Up to Rs. 50 lakh</i>	<i>More than Rs. 50 lakh but up to Rs. 1 crore</i>	<i>More than Rs. 1 crore but up to Rs. 2 crore</i>	<i>More than Rs. 2 crore but up to Rs. 5 crore</i>	<i>More than Rs. 5 crore but up to Rs. 10 crore</i>	<i>More than Rs. 10 crore</i>
Individual, HUF or Artificial Judicial Person						
Short-term capital gain covered under Section 111A	<i>Nil</i>	10%	15%	15%	15%	15%
Long-term capital gain covered under Section 112A	<i>Nil</i>	10%	15%	15%	15%	15%
Any other income*	<i>Nil</i>	10%	15%	25%	37%	37%
* The Finance (No. 2) Act, 2019 has been amended to withdraw the enhanced surcharge, i.e., 25% or 37%, as the case may be, from income chargeable to tax under section 111A and 112A. Hence, the maximum rate of surcharge on tax payable on such incomes shall be 15%. However, where other income of a person does not exceed Rs. 2 crores but after including the incomes as referred to in section 111A and 112A, the total income exceeds Rs. 2 crores then irrespective of the amount of other income, surcharge shall be levied at the rate of 15% on the amount of tax payable on both normal income as well as income referred to in section 111A and 112A.						
AOP or BOI						
Short-term capital gain covered under Section 111A	<i>Nil</i>	10%	15%	15%	15%	15%

Long-term capital gain covered under Section 112A	Nil	10%	15%	15%	15%	15%
Short term or Long term capital gains on transfer of certain securities under section 115AD(1)(b)	Nil	10%	15%	15%	15%	15%
Any other Income*	Nil	10%	15%	25%	37%	37%

* The Finance (No. 2) Act, 2019 has been amended to withdraw the enhanced surcharge, i.e., 25% or 37%, as the case may be, from income chargeable to tax under section 111A, 112A and 115AD. Hence, the maximum rate of surcharge on tax payable on such incomes shall be 15%. However, where other income of a person does not exceed Rs. 2 crores but after including the incomes as referred to in section 111A, 112A and 115AD, the total income exceeds Rs. 2 crores then irrespective of the amount of other income, surcharge shall be levied at the rate of 15% on the amount of tax payable on both normal income as well as income referred to in section 111A, 112A and 115AD.

The surcharge shall be subject to marginal relief:

- Where income exceeds Rs. 50 lakhs, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 50 lakhs by more than the amount of income that exceeds Rs. 50 lakhs.
- where income exceeds Rs. 1 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore
- where income exceeds Rs. 2 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 2 crore by more than the amount of income that exceeds Rs. 2 crore
- where income exceeds Rs. 5 crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 5 crore rupees by more than the amount of income that exceeds Rs. 5 crore rupees

b) Health and Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

c) Rebate under Section 87A: The rebate is available to a resident individual if his total income does not exceed Rs. 5,00,000. The amount of rebate shall be 100% of income-tax or Rs. 12,500, whichever is less.

4. Partnership Firm

For the Assessment Year 2019-20 & 2020-21, a partnership firm (including LLP) is taxable at 30%.

Add:

a) *Surcharge*: The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

b) *Health and Education Cess*: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge

5. Local Authority

For the Assessment Year 2019-20 & 2020-21, a local authority is taxable at 30%.

Add:

a) *Surcharge*: The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount

payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

b) *Health and Education Cess*: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

6. Domestic Company

Income-tax rates applicable in case of companies for Assessment Year 2019-20 and 2020-21 are as follows:

<i>Domestic Company</i>	<i>Assessment Year 2019-20</i>	<i>Assessment Year 2020-21</i>
Where its total turnover or gross receipt during the previous year 2016-17 does not exceed Rs. 250 crore	25%	NA
Where its total turnover or gross receipt during the previous year 2017-18 does not exceed Rs. 400 crore	NA	25%
Where it opted for Section 115BA	25%	25%
Where it opted for Section 115BAA	NA	22%
Where it opted for Section 115BAB	NA	15%
Any other domestic company	30%	30%

Add:

a) *Surcharge*: The amount of income-tax shall be increased by a surcharge at the rate of 7% of such tax, where total income exceeds one crore rupees but not exceeding ten crore rupees and at the rate of 12% of such tax, where total income exceeds ten crore rupees. However, the rate of surcharge in case of a company opting for taxability under Section 115BAA or Section 115BAB shall be 10% irrespective of amount of total income.

The surcharge shall be subject to marginal relief, which shall be as under:

- Where income exceeds Rs. 1 crore but not exceeding Rs. 10 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.
- Where income exceeds Rs. 10 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 10 crore by more than the amount of income that exceeds Rs. 10 crore

b) *Health and Education Cess*: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

7. Foreign Company

Assessment Year 2019-20 and Assessment Year 2020-21

<i>Nature of Income</i>	<i>Tax Rate</i>
Royalty received from Government or an Indian concern in pursuance of an agreement made with the Indian concern after March 31, 1961, but before April 1, 1976, or fees for rendering technical services in pursuance of an agreement made after February 29, 1964 but before April 1, 1976 and where such agreement has, in either case, been approved by the Central Government	50%
Any other income	40%

Add:

a) *Surcharge*: The amount of income-tax shall be increased by a surcharge at the rate of 2% of such tax, where total income exceeds one crore rupees but not exceeding ten crore rupees and at the rate of 5% of such tax,

where total income exceeds ten crore rupees. However, the surcharge shall be subject to marginal relief, which shall be as under:

(i) Where income exceeds one crore rupees but not exceeding ten crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

(ii) Where income exceeds ten crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of ten crore rupees by more than the amount of income that exceeds ten crore rupees.

b) *Health and Education Cess*: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

8. Co-operative Society

Assessment Year 2019-20 and Assessment Year 2020-21

Taxable income	Tax Rate
Up to Rs. 10,000	10%
Rs. 10,000 to Rs. 20,000	20%
Above Rs. 20,000	30%

Add:

a) *Surcharge*: The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

b) *Health and Education Cess*: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

MCQs

(1) The Central Government has been empowered by entry _____ of the Union list of schedule VII of the constitution of India to levy tax on income other than agricultural income.

- (a) 84 (b) 82 (c) 81 (d) 84

(2) The Income tax act, 1961 came into force w.e.f -

- (a) 1st April, 1962 (c) 31st March, 1961

- (b) 1st April, 1961 (d) None of above.

(3) Amongst the following _____ is empowered to levy tax on agricultural income.

- (a) Central Government (b) State Government

- (c) Commissioner (d) President

(4) Circulars and Notifications are binding on the

- (a) Central Board of Direct Taxes (CBDT) (b) Assessee

- (c) Income Tax Appellate Tribunal (ITAT) (d) Income Tax Authorities

(5) Supreme Courts precedent is binding on

- (a) Courts (b) Appellate Tribunals

- (c) Income Tax Authorities (d) All of the above.

(6) High Court's precedents are not binding on

- (a) Tribunal (b) Income Tax Authorities
(c) Assessee (d) None of the above.
- (7) Wherever in the Act the phrase as prescribed appears it means that -
(a), Regulations are to be framed in this respect.
(b) Rules have been framed in this respect.
(c) Regulations were earlier framed in this respect.
(d) Regulations are framed in this respect.
- (8) Who amongst the following confers on the power to issue circulars and clarifications?
(a) ITAT (b) Central Government
(c) CBDT (d) State Government
- (9) Amendments by the finance act are made applicable from
(a) First day of next financial year (b) First day of same financial year
(c) Last day of same Accounting year (d) None of the above.
- (10) Income Tax is charged in -
(a) Financial Year (c) Previous Year
(b) Assessment Year (d) Accounting Year
- (11) A person includes:
(a) Only Individual (c) Individuals, HUF, Firm, Company only
(b) Only Individual and HUF
(d) Individuals, HUF, Company, Firm, AOP or BOI, Local Authority, Every Artificial Juridical Person
- (12) As per section 2(31), the following is not included in the definition of 'person' -
(a) An individual (b) A Hindu undivided family
(c) A company (d) A minor
- (13) Every assessee is a person, and -
(a) every person is also an assessee (b) every person need not be an assessee
(c) an individual is always an assessee (d) A HUF is always an assessee
- (14) Describe the status of the following person (i.e. individual, HUF, Firm, Company etc.) X and Y are legal heirs of Z. Z died in 2017 and X and Y carry on his business without entering into a partnership.
(a) Firm (b) Limited Liability Partnership
(c) Company (d) Body of Individual
- (15) Assessment year can be a period of :

- (a) only more than 12 months (c) only 12 months
- (b) 12 months and less than 12 months (d) 12 months and more than 12 months
- (16) Year in which income is taxable is known as _____ and year in which income is earned is known as ----
- (a) Previous year, Assessment year (b) Assessment year, Previous year
- (c) Assessment year, Assessment year (d) Previous year, Previous year
- (17) The year in which the income is earned is known as
- (a) Previous year (c) Both (A) or (B)
- (b) Financial year (d) None of the above.
- (18) All assesseees are required to follow:
- (a) Uniform previous year which must be calendar
- (b) year only Uniform previous year which must be financial year only
- (c) Any period of 12 months
- (d) Period starting from 1st July to 30th June only
- (19) XYZ LLP falls under which----- category of person -
- (a) Individual (b) Partnership firm
- (c) Company (d) Association of person
- (20) Municipality of Delhi falls under----- category of person-
- (a) Artificial juridical person (b) Local authority
- (c) Individual (d) Association of Person
- (21) Under Income Tax Act partnership firm includes -
- (a) Limited liability partnership (b) Limited liability company
- (c) One person company (d) Association of person
- (22) A.O.P should consist of :
- (a) Individual only (b) Persons other than individual only
- (c) Both individual and non individual persons. (d) None of these
- (23) Body of individual should consist of :
- (a) Individual only (b) Persons other than individual only
- (c) Both individual and non individual persons. (d) None of these
- (24) A person becomes a member of HUF by -
- (a) Contract (b) Agreement

(c) Popularity (d) Status

(25) In order to be assessed as HUF there should be -

(a) Partnership (b) Co-Partnership

(c) Co-Partnership (d) Co-Ownership

(26) Section __ of the Income-tax Act, 1961 defines the term 'person' -

(a) 4 (c) 2(31)

(b) 5 (d) 2(32)

(27) must be one in which two or more persons join in for a common purpose or common action with the object of earning income or profits or gains.

(a) Partnership (b) Co-ownership

(c) Body of Individuals (d) Association of Persons

(28) Which amongst the following is Artificial Juridical Person?

(a) Corporation (b) Local Fund

(c) District Board (d) None of these

(29) Previous year is defined in -

(a) Section 2(34) (b) Section 2(9)

(c) Section 3 (d) Section 4

(30) Financial year means a year commencing on -

(a) 31st March of the period (c) Mid of the year

(b) 1st day of the April (d) None of these

(31) First previous year in case of a business/profession newly set up on 31-3-2017 would:

(a) Start from 1st April, 2016 and end on 31st

(b) Start from 31st March, 2017 and will end on 31st March, 2017

(c) Start from 1st January, 2017 and end on 31st

(d) December, 2017 Start from 1st January, 2017 and will end on 31st March, 2017

(32) Dr. Ashok commenced medical practice on 1st September, 2016. The previous year for the profession for the assessment year 2017-18 would be _ (June 2016)

(a) 1st April, 2016 to 31st March, 2017 (c) 1st June, 2016 to 31st March, 2017

(b) 1st September, 2016 to 31st March, 2017 (d) 1st September, 2016 to 31st January, 2017

(33) Income of business commenced on 1st March, 2017 will be assessed in assessment year-

(a) 2016-17 (c) 2018-19

(b) 2017-18**(d) 2019-20**

(34) A person follows calendar year for accounting. For taxation, he has to follow:

(a) Calendar year only :1st January to 31st

(b) Financial year only :1st April to 31st March December

(c) Any of the Calendar or Financial year as per his choice

(d) He will to follow extended year from 1st January to next 31st March (a period of 15 months)

(35) In which of the following cases, income of previous year is assessable in the previous year itself:

(a) Assessment of persons leaving India (c) A person who is into illegal business

(b) A person in employment in India (d) A person who is running a charitable institution

(36) In which of the following cases, Assessing Officer has the discretion to assess the income of previous year in previous year itself or in the subsequent assessment year:

(a) Shipping business of non-residents

(b) Assessment of Association of Persons or Body of Individuals formed for a particular event or purpose

(c) Assessment of persons likely to transfer

(d) Discontinued business property to avoid tax

(37) In case of non-residents engaged in shipping business in India income earned during the financial year is -

(a) Taxable in India the same financial year

(b) Taxable in India the relevant assessment year

(c) Not taxable in India in the same financial year

(d) Not taxable in India.

(38) In case of non-residents engaged in shipping business _____ freight paid or payable to the owner or charterer shall be deemed to be total income.

(a) 5%

(c) 10%

(b) 7.5 %

(d) 20 %

(39) Which amongst the following is an exception to the previous year rule?

(a) Business or Profession newly set up.

(c) Non-resident engaged in shipping business.

(b) Where a source of income newly set up.

(d) None of the above.

(40) Income Tax is levied on the _____ of a person.

(a) Total Income

(c) Gross Total Income

(b) Total Income-Debt

(d) Net Income-Debt Perquisites

(41) The period of 12 months commencing on the 1st day of April every year is known as _____

(a) Financial Year

(c) Previous Year

(b) Assessment Year

(d) Accounting Year

(42) The charging section of the Income-tax Act, 1961, states that the income earned in a year is taxable in the next year. This is known as ____

(a) Principle of mutuality

(c) Financial year rule

(b) Previous year rule

(d) None of these.

(43) Income-tax in India is charged at the rates prescribed by -

(a) The Finance Act of the assessment year

(c) The Central Board of Direct Taxes

(b) The Income-tax Act, 1961

(d) The Finance Act of the previous year.

(44) A new business was set-up on 1st July, 2016 and trading activity was commenced from 1st September, 2016, the previous year would be the period commencing from - (Dec. 2015)

(a) 1st April, 2016 to 31st March, 2017

(c) 1st September, 2016 to 31st March, 2017

(b) 1st July, 2016 to 31st March, 2017

(d) 1st October, 2016 to 31st March, 2017.

(45) According to section 2(24) definition of 'income' is -----

(a) Inclusive

(c) Exclusive

(b) Exhaustive

(d) Descriptive.

(46) 'Income' under section 2(24) includes -

(i) The profits and gains of a banking business carried on by a co-operative society with its members.

(ii) Any advance money forfeited in the course of negotiations for transfer of capital asset. Choose the correct option with reference to the above statements _

(a) Both (i) and (ii)

(c) Only (ii)

(b) Only (i)

(d) Neither (i) nor (ii).

(47) Income includes -

(a) Profits and gains

(c) Income from other sources

(b) Profit in lieu of Salary

(d) All of the above

(48) Income is divided in _____ heads of Income.

(a) 4

(c) 6

(b) 5

(d) 3

(49) Income includes -

(a) Profits or Gains

(c) Lottery winnings

(b) Capital gains

(d) All of the above

(50) The term 'income' includes the following types of incomes -

(a) Legal

(b) Illegal

(c) Legal and illegal both (d) None of the above,

(51) Which of the following income is not included in the term 'income' under the Income-tax Act, 1961

- (a) Profit and gains (b) Dividend
(c) Profit in lieu of salary (d) Reimbursement of travelling expenses.

(52) Which amongst the following is not a head of Income?

- (a) Salaries (c) Capital gains
(b) Income from house Property (d) Income from exports

(53) Amongst the following which activity will be taxable?

- (a) Profits & gains of any insurance business
(b) Income from specific services provided by carried on by a co-operative society. trade, professional or similar association.
(c) The profits and gains of any banking business
(d) All of the above. carried on by a co-operative society.

(54) AB & Co. received `2,00,000 as compensation from CD & Co. for premature termination of contract of agency. Amount so received is _

- (a) Capital receipt and taxable (c) Revenue receipt and taxable
(b) Capital receipt and not taxable (d) Revenue receipt and not taxable

(55) Subsidy if given as assistance to carry on business already commenced is a ----

- (a) Revenue receipt (b) Capital receipt
(c) It is not a receipt (d) None of these

(56) Which of the following is not included in taxable income -

- (a) Income from smuggling activity (b) Casual income
(c) Gifts of personal nature subject to a maximum of `50,000 received in cash
d) Income received in kind.

(57) Compensation on account of loss of profit is -

- (a) Revenue receipt (b) Capital receipt
(c) Revenue expenditure (d) Capital expenditure

(58) Out of the following, which of the capital receipt is not taxable:

- (a) Capital gains of ` 10,00,000
(b) Amount of `5,00,000 won by way of lottery, games, puzzles
(c) Amount of `2,00,000 received by way of gift

(d) Amount of ₹1,00,000 received by way of gift

from relatives from a friend on marriage anniversary

(59) In case the Keyman insurance policy is taken in name of any other person any sum received on its maturity by such person shall be taxable under the head -

(a) Salaries

(c) Capital Gains

(b) Profits & Gains of Business or Profession

(d) **Income from Other Sources**

(60) Method of Accounting is not relevant for -

(a) Salaries

(c) Capital Gains

(b) Income from House Property

(d) **All of the above**

(61) Income-tax in India is charged at the rate(s) prescribed by

(a) **The Finance Act**

(c) The Central Board of Direct Taxes

(b) The Income-tax Act

(d) The Ministry of Finance.

(62) Which of the following is not included in taxable income -

(a) **Reimbursement of expenses**

(c) Income from illegal activity

(b) Cash gifts received from non relatives

(d) Profit on sale of equity shares of unlisted Ans. (a) company.

(63) The Central Government has notified Income computation and disclosure standards for computing income under the head Profits and Gains of Business and Profession -

(a) 2

(c) 8

(b) 5

(d) **10**

(64) An individual is said to have substantial interest in a concern if he or she, along with his or her relatives, is, at any time during the previous year, beneficial owner of equity shares carrying or more of the voting power in a company; or entitled to or more of the profits of such concern.

(a) 20% ,10%

(c) 10%, 10%

(b) 10% ,20%

(d) **20% ,20%**

(65) Surcharge @ 12 is payable by a domestic company if the total income exceeds.

(a) ₹ 10 lakhs

(b) ₹ 1 crore

(c) **₹ 10 crore**

(d) None of the above.

(66) Surcharge @ 7 is payable by a domestic company if the total income exceeds.

(a) ₹ 10 lakhs

(b) ₹ 50 lakhs

(c) **₹ 1 crore**

(d) ₹ 10 crores.

(67) The tax exemption limit for a resident senior citizen is - (Dec. 2014)

- (a) Upto ` 2,00,000 (c) Upto ` 1,80,000
(b) Upto ` 5,00,000 (d) Upto ` 3,00,000
- (68) Surcharge of 15 is payable by an individual where the total income exceeds:
(a) ` 7,50,000 (c) ` 1,00,00,000
(b) ` 8,50,000 (d) None of the three
- (69) The maximum amount on which income-tax is not chargeable in case a co-operative society is:
(a) ` 50,000 (c) ` 20,000
(b) ` 30,000 (d) Nil
- (70) Additional surcharge (education cess) of 3 per cent is payable on-
(a) Income tax (c) Surcharge
(b) Income tax plus surcharge (d) None of the three
- (71) What is the maximum amount of income not chargeable to tax in case of AOP /BOI ?
(a) ` 2,50,000 (c) ` 10,000
(b) ` 1,45,000 (d) None of these.
- (72) In case of Partnership firm or company and foreign company marginal relief is provided if total income exceeds ` --
(a) . ` 1 crore (b) ` 10 lakhs
(c) Marginal relief (d) None of these
- (73) What is the rate of Secondary and Higher Education cess?
(a) 3% (b) 2%
(c) 1% (d) There is no such tax.
- (74) The total income is rounded off to the nearest multiple of -
(a) `1 (b) `10
(c) `100 (d) `1,000
- (75) The MMR of 35.535% for Assessment Year 2017-18 is relevant in case of which of the following person-
(a) Individual (c) None of (a) and (b)
(b) Association of Persons (d) Both of (a) and (b)
- (76) If a firm's total Income is ` 1,03,00,000, the marginal relief available to the firm is -
(a) ` 3,09,000 (b) ` 3,03,000
(c) ` 1,60,800 (d) None of these.

(77) The amount of education cess and secondary and higher education cess to be collected along with income-tax for assessment year 2017-18 shall be _ (June, 2009)

- (a) 1 % (b) 2%
(c) 3% (d) 4%

(78) In respect of a resident assessee, who is of the age of 60 years or more at any time during the previous year but less than 80 years on the last day of Previous Year relevant to Assessment Year 2017-18:

- (a) Rebate of tax payable subject to a maximum of
(b) Higher basic exemption of ` 1,50,000. ` 20,000.
(c) Higher basic exemption of ` 3,00,000.
(d) Higher basic exemption of ` 1,35,000.

(79) Surcharge of 12 is payable by an Hindu Undivided Family where the total income exceeds:

- (a) ` 7,50,000 (c) ` 1,00,00,000
(b) ` 8,50,000 (d) None of the three.

(80) In case of resident HUF, what is maximum exemption limit for Assessment Year 2018-19:

- (a) ` 3,00,000 (b) ` 2,50,000
(c) ` 5,00,000 (d) ` 2,20,000

(81) In case of a female individual, who is of 59 years of age, what is the maximum exemption limit for AY. 2018-19:

- (a) ` 3,00,000 (c) ` 5,00,000
(b) ` 2,50,000 (d) Nil

(82) The income-tax payable by a Resident Individual (aged 30 years) for AY. 2017-18 if his total income is `3,00,000 will be:

- (a) ` 2,060 (c) ` 2,206
(b) ` 2,210 (d) Nil

(83) The income-tax payable by a Non Resident Individual (aged 30 years) for Assessment Year 2017-18 if his total income is ` 2,70,000 will be:

- (a) ` 2,060 (b) ` 2,210
(c) ` 2,206 (d) Nil

(84) The income-tax payable by a Resident Individual (aged 30 years) for AY. 2017-18 if his total income is ` 3,01,500 will be:

- (a) ` 2,630 (c) ` 150
(b) ` 566 (d) ` 2,626

(85) The income-tax payable by a Mrs Swati Non Resident Individual (aged 65 years) for AY. 2017-18 if her total income is ` 2,75,000 will be:

- (a) Nil (c) ` 2,580
(b) ` 2,575 (d) ` 520

(86) The income-tax payable by a Mr Bansal Resident Individual (aged 25 years) for AY. 2017-18 if his total income is ` 4,50,000 will be :

- (a) Nil (c) ` 20,600
(b) ` 15,450 (d) ` 540

(87) Arun, a non-resident of India celebrated his 80th birthday on 10th October 2015. If his total income for the previous year is ` 6,00,000, his income-tax liability for the previous year 2016-17 is - (June 2016)

- (a) ` 46,350 (c) ` 20,600
(b) ` 41,200 (d) Nil

(88) The amount of marginal relief admissible to Mr Bansal Resident Individual (aged 25 years) for AY 2017-18 if his total income is ` 1,01,00,000 will be :

- (a) ` 3,58,250 (c) ` 2,20,000
(b) ` 2,00,000 (d) Nil

(89) The maximum income of ` -----is not chargeable to tax in case of non-resident woman of 60 years of age.

- (a) ` 2,50,000 (c) ` 5,00,000
(b) ` 3,00,000 (d) ` 10,00,000

(90) The tax payable is rounded off to the nearest multiple of -

- (a) ` 1 (c) ` 10
(b) ` 1,000 (d) ` 100

(91) The income-tax payable by a Non Resident Individual (aged 30 years) for AY 2017-18 if his total income is ` 2,75,500 will be:

- (a) ` 2,630 (c) ` 570
(b) ` 566 (d) ` 2,626

(92) The income-tax payable by a Resident Individual (aged 30 years) for AY 2018-19 if his total income is ` 5,00,000 will be:

- (a) ` 20,600 (c) ` 33,990
(b) ` 25,750 (d) Nil

RESIDENTIAL STATUS OF INDIVIDUAL

(1) Residential status to be determined for:

- (a) Previous year c) Calendar year
(b) Succeeding Year (d) None of the above

(2) To claim the status of Not Ordinarily Resident for individual-

- (a) Only one basic condition needs to be satisfied.
(b) One basic and one additional condition are to be satisfied.
(c) Need not satisfy any of the conditions.
(d) Only additional condition is to be satisfied.

(3) To claim the status of Non-resident for individual-

- (a) Only one basic condition need to be satisfied.
(b) One basic and one additional condition is to be satisfied.
(c) Need not satisfy any of the conditions.
(d) Only additional conditions are to be satisfied.

(4) Amongst the following which is the basic condition to identify the residential status of the individual

- a) Person must be in India for or more 182 days during the previous year.**
b) Person must be in India for less than 60 days during the previous year and 365 days on more during the four years preceding the previous year.
c) He must be in India in nine out of ten previous years preceding that year.
d) All of these.

(5) Amongst the following which is the basic condition to identify the residential status of the individual -

- a) Person must be in India for less than 180 days during the previous year.
b) Person must be in India for 60 days or more during the previous year and 365 days on more during the four years preceding the previous year.
c) He must not be in India in nine out of ten previous years preceding that year
(d) Non of these.

(6) Atul is a foreign citizen. His father was born in Delhi in 1951 and mother was born in England in 1950. His grandfather was born in Delhi in 1922. Atul visited India to see Taj Mahal and visit other historical places. He came to India on 1 st November, 2016 for 200 days. He has never come to India before. His residential status for assessment year 2017-18 will be

- (a) Non resident in India** (c) Resident in India
(b) Not ordinarily resident in India (d) None of the above

(7) Determine the residential status of Mr. X a foreign citizen who came to India for the first time on 15 April, 2016 for a period of just 200 days -

(a) Resident (c) Not ordinarily Resident

(b) Non-Resident (d) Any of these

(8) The following additional conditions are to be satisfied by a person to be resident and ordinarily resident in India _

(a) He is a resident in at least any two out of the

(b) He has been in India for 730 days or more ten previous years immediately preceding the during the seven previous years immediately relevant previous year preceding the relevant previous year

(c) Both (a) and (b) of above

(d) None of the above

(9) X, an Indian citizen, who is living in Delhi since 1980, left for Japan on 15t July, 2015 for employment. He came back to India on 1st January, 2017 on a visit and stayed for 4 months. His residential status for the assessment year 2017 -18 would be -

(a) Resident and ordinarily resident (c) Non resident

(b) Not ordinarily resident (d) Resident.

(10) Paresh, a software engineer at ABC Ltd. left India on 10th August, 2016 for the treatment of his wife. For income-tax purpose, his residential status for the assessment year 2017-18 will be -

(a) Resident (c) Not ordinarily resident

(b) Non-resident (d) Cannot be determined from the given information.

(11) Determine the residential status of Ms. Haseena a person of Indian origin who came for visiting India on 15th April, 2016. She left India on 30th April 2016.

(a) Resident (c) Not ordinarily Resident

(b) Non-Resident (d) Any of these

(12) If Karta is resident and ordinarily resident in India but control and management of HUF is situated partly outside India in the previous year, the HUF is -

(a) Resident and ordinarily resident (c) Non resident

(b) Not ordinarily resident (d) Resident.

(13) Determine the residential status of Ms. Haseena a person of Indian origin who has been visiting India for 100 days every year since last 10 years -

(a) Resident (c) Not ordinarily Resident

(b) Non-Resident (d) Any of these

(14) Determine the residential status of Ms. Maria, a US citizen who has been visiting India for 100 days every year since la st 10 years-

(a) Resident (c) Not ordinarily Resident

(b) Non-Resident (d) Any of these

(15) Determine the residential status of Mr. Karamchand, an Indian citizen who has left India for the first time on 15th July 2016 for the purpose of employment outside India

- (a) Resident (c) Not ordinarily Resident
(b) Non-Resident (d) Any of these

(16) Determine the residential status of Mr. Rakesh, an Indian citizen who has left India for the first time on 15th July 2016 for the purpose of visit outside India. He came back to India on 17 th March 2017

- (a) Resident (c) Not ordinarily Resident
(b) Non-Resident (d) Any of these

(17) Determine the residential status of Mohit who came to India for the first time on 15th December, 2016 for a period of just 200 days-

- (a) Resident (b) Non-Resident
(c) Not ordinarily Resident (d) Any of these

(18) Arif was citizen of Afghanistan. His mother was born in a village near Kathmandu. He came to India for first time since 1982 on 02-10-2016 for a visit of 190 days. What is the residential status of Arif ?

- (a) Resident (c) Not ordinarily Resident
(b) Non-Resident (d) Any of these

(19) An individual is said to be resident in India in a previous year (in which the February month has 29 days) if he is in India in that year for a period or periods amounting in all to :

- (a) 182 Days or more (c) 183 Days or more
(b) 60 Days or more (d) 150 Days or more

BASIC CONCEPTS OF TAXABILITY OF INCOME FROM HOUSE PROPERTY

(1) Which is the charging section of Income from house property?

- (a) Section 15 (b) Section 22
(c) Section 24 (d) Section 10(10D)

(2) Income from vacant plot is taxable under the head

- (a) Income from House Property (b) Income from Other Sources
(c) Profits & Gains of Business or Profession (d) Capital Gains

(3) Which of following conditions need to be satisfied in order to tax any income under the head Income from house property ?

- (a) The property must consist of building or land appurtenant thereto
(c).The property must not be used for business or profession carried on by assessee.
(b) The assessee must be the owner of such house property.

d. All of the above.

(4) Income from subletting of house property is taxable under the head _____ -

(a) Income from House Property

(c) Profits & Gains of Business or Profession

(b) Income from Other Sources

(d) Capital Gains

(5) In case the letting out of property is incidental to the main business, then income from such property shall be taxable as

(a) Income from House Property

(b) Income from Other Sources

(d) Capital Gains

(c) Profits & Gains of Business or Profession

(6) Annual value of property of a social club will be :

(a) Taxable as Income from House Property

(c) Exempt from tax

(b) Taxable as Income from Other Sources

(d) Taxable as Profits and gains of business

(7) In case any property is owned by an assessee and the same is given by him to the partnership firm, in which he is a partner, for carrying on the business of such firm, then the income from such property will

(a) Not be taxable.

(c) Be taxable as Income from house property

(b) be taxable as Income from Other Sources

(d) Taxable as Profits and gains of business

(8) Income from building constructed on leasehold is taxable as :

(a) Income from House Property

(c) Profits & Gains of Business or Profession

(b) Income from Other Sources

(d) Capital Gains

(9) The assessee, who was deriving income from "House property" realised a sum of ` 52,000 on account of display of advertisement hoarding of various concerns on the roof of the building. The same will be taxable under:

(a) Income from House Property

(c) Profits & Gains of Business or Profession

(b) Income from Other Sources

(d) Capital Gains

(10) Composite rent of let-out house property is taxable as -

(a) Profits and gains from business or profession (c) Income from house property

(b) Income from other sources
conditions.

(d) Either (a) or (b) above depending upon certain

SALARY

1) Which is the charging section of Income under the head salaries?

(a) Section 10

(b) Section 15

(c) Section 5

(d) Section 4

(2) Which of the following income is chargeable to income tax under the head salaries?

(a) Salary due

(b) Advance Salary

(c) Arrears of Salary

(d) All of these.

(3) Any salary due from an employer or a former employer to an assessee in the previous year whether paid or not is known as -

(a) Salary due

(c) Arrears of Salary

(b) Advance Salary

(d) All of these.

Ans.(a)

(4) Income is taxable under the head salaries only if there exists _____ relationship between the payer and payee.

(a) Employer - Employee

(c) Agent - Principal

(b) Principal- Agent

(d) All of the above.

(5) A teacher receives remuneration for setting question paper for examination. What is the chargeability position of this remuneration?

Choose the most appropriate answer.

(a) It will be chargeable under the head salaries.

(b) It will be chargeable under the head income from other sources.

(c) It will not be charged to tax under any head.

(d) It will be allowed as deduction.

(6) Which section gives the definition of salary?

(a) Section 15

(c) Section 10

(b) Section 17(1)

(d) None of these.

(7) Which amongst the following is not included under the inclusive definition of salary?

(a) Wages

(b) Any annuity or pension

(c) Employer's contribution in RPF in excess of 12 % of salary

(d) None of these.

(8) Mr. A joins a job on 1-7-2016 at monthly salary of `25,000. His salary becomes due on last day of each month. His taxable salary for A Y 2017-18 will be -

(a) `3,00,000

(c) `2,50,000

(b) `2,25,000

(d) `2,00,000

(9) Mr. A joins a job on 1-7-2016 at monthly salary of `20,000. His salary becomes due on first day of next month. His taxable salary for AY 2017-18 will be-

- (a) `1,60,000 (c) `2,20,000
(b) `1,80,000 (d) `2,40,000

(10) Mr. A joins a job on 1-7-2015 at monthly salary of `20,000 in A Ltd. He got an increment of `1,000 in the month of July 2016. His salary becomes due on last day of each month. His taxable salary for AY 2017-18 will be-

- (a) `2,49,000 (c) `2,40,000
(b) `2,48,000 (d) `2,52,000

(11) Mr. A joins a job on 1-7-2015 at monthly salary of `20,000 in A Ltd. He got an increment of `1,000 in the month of July 2016. His salary becomes due on first day of next month. His taxable salary for AY 2017-18 will be-

- (a) `2,49,000 (c) `2,40,000
(b) `2,48,000 (d) `2,52,000

(12) Salary of S (`40,000 per month) becomes due on the last day of the month but is paid on 7th of next month. Also, salary of April, 2017 and May, 2017 is received in advance in March, 2017. What will be his gross income for A.Y. 2017-18?

- (a) `5,60,000 (c) `4,40,000
(b) `4,80,000 (d) `5,20,000

(13) Mr. A joins a job in the grade of `20,000-500-25,000-1,000-40,000-1,500-60,000 on 1-7-2005 which becomes due on last day of each month. His taxable salary for AY 2017-18 will be -----

- (a) `3,09,000 (c) `3,08,000
(b) `2,97,000 (d) `3,21,000

(14) Mr. A joins a job in the grade of `20,000-500-25,000-1,000-40,000-1,500-60,000 on 1-7-2005 which becomes due on first day of next month. His taxable salary for AY 2017-18 will be-

- (a) `3,09,000 (c) `3,08,000
(b) `2,97,000 (d) `3,21,000

(15) Which of the following income is taxable under the head 'income from salary' - (Dec. 2011)

- (a) Salary received by a partner from firm
(c) Salary of a Government Officer
(b) Salary received by a Member of Parliament
(d) None of the above.

(16) Mr. A joins a job in the grade of `20,000-500-25,000-1,000-40,000-1,500-60,000 on 1-7-2005 which becomes due on first day of next month. He is also dearness allowance of 100 of salary. His taxable salary for AY 2017-18 will be-

- (a) `6,18,000 (c) `6,16,000

- (b) ` 5,94,000 (d) ` 6,42,000

(17) Pankaj joins service on 1st April, 2012 in the grade of 15,000 - (1,000) - 18,000 - (2,000) - 26,000. He shall be paying tax for the year ended on 31st March, 2017 on the total salary of - (Dec. 2015)

- (a) ` 2,16,000 (c) ` 2,28,000
(b) ` 2,40,000 (d) ` 1,80,000

(18) Anjan joins a service in the grade of ` 15,600 - 39,100 plus grade pay of ` 6,000 on 01-08-2016. He also gets dearness allowance @ 107 of salary. His tax liability for assessment year 2017-18 will be - (Dec. 2014)

- (a) ` 11,243 (c) Nil
(b) ` 5,940 (d) ` 9,030

ALLOWANCES

(19) ----- is granted to an employee by his employer to meet expenditure actually incurred on payment of rent.

- (a) Dearness Allowance (c) City Compensatory Allowance
(b) House Rent Allowance (d) None of these.

(20) Which amongst the following is a fully taxable allowance?

- (a) Conveyance allowance (c) Medical allowance
(b) Travelling allowance (d) Research allowance

(21) For an employee in receipt of hostel expenditure allowance for his three children, the maximum annual allowance exempt under Section 10(14) is-

- (a) ` 10,800 (c) ` 9,600
(b) ` 7,200 (d) ` 3,600

(22) For an employee in receipt of education allowance for his three children, the maximum annual allowance exempt under Section 10(14) is -----

- (a) ` 1,200 (c) ` 4,800
(b) ` 2,400 (d) ` 1,600

(23) Sneha is an employee in a private company. In the previous year she received salary ` 1,80,000 and house rent allowance of ` 60,000. She is residing with her parents. Her taxable house rent allowance will be -

- (a) Nil (c) ` 42,000
(b) ` 60,000 (d) ` 18,000

(24) Murali employed in Megha Ltd., Delhi. He is paid house rent allowance of ` 9,000 per month in financial year 2015-16. His salary for the purpose of computation of house rent allowance relief may be taken as ` 20,000 per month. Murali pays actual rent of ` 10,000 per month. How much of the house rent allowance is tax-free -

- (a) ` 108,000 (c) ` 96,000

- (b) ` 1,20,000 (d) ` 60,000

(25) Children education allowance received by an employee from his employer is ` 80 per month per child for 3 children. Taxable education allowance will be - (Dec. 2014)

- (a) ` 960 (c) Nil
(b) ` 480 (d) ` 1,200

(26) Chandan, a handicapped employee receives ` 1,500 per month as transport allowance from his employer. His actual expenditure on transport is ` 1,000 per month. The amount of transport allowance taxable under the head income from salaries will be -----

- (a) ` 18,000 (c) ` 6,000
(b) Nil (d) ` 8,000.

(27) Calculate the exempt HRA from the following details : X is entitled to a basic salary of ` 50,000 p.m. and dearness allowance of ` 10,000 p.m., 40 of which forms part of retirement benefits. He is also entitled to HRA of ` 20,000 p.m. He actually lives with his parents in Mumbai and pays rent of ` 20,000 p.m.

- (a) Nil (c) ` 64,800
(b) ` 1,75,200 (d) ` 2,40,000

(28) Raman purchased a residential house property in Ahmedabad on loan for which he paid an interest of ` 50,000 during the previous year. He is working in Delhi and getting an HRA of ` 4,000 per month. He can claim exemption/ deduction for -----

- (a) Only HRA (c) Either interest paid or HRA but not both
(b) Only interest paid (d) Both HRA and interest paid.

(29) Y received children education allowance of ` 500 pm for 1 of his children. Calculate taxable amount of children education allowance for the assessment year 2017-18 if entire ` 500 is spent by Y.

- (a) Nil (c) ` 6,000
(b) ` 4,800 (d) ` 3,600

(30) Arun, a resident of Meerut, receives ` 38,000 per annum as basic salary. In addition, he gets ` 12,000 p.a. as dearness allowance, which does not form part of basic salary, 5 commission on turnover achieved by him (turnover achieved by him during the relevant previous year is ` 6,00,000) and ` 7,000 per annum as house rent allowance. He, however, pays ` 8,000 per annum as house rent. The quantum of house rent allowance exempt from tax is -

- (a) Nil (c) ` 7,000
(b) ` 8,000 (d) ` 1,200

(31) Ramesh a resident of Jaipur, receives ` 25,000 p.m. as basic salary. In addition, he gets ` 10,000 p.m. as dearness allowance, which form part of basic salary and ` 18,000 p.m as house rent allowance. He, however, pays ` 20,000 p.m. as house rent. The quantum of house rent allowance taxable is -----

- (a) ` 48,000 (c) Nil
(b) ` 6,000 (d) ` 24,000

(32) The maximum exemption in respect of transport allowance granted to an employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty shall be - (June, 2009)

- (a) ` 1,200 per month (c) ` 1,600 per month
(b) ` 1,400 per month (d) ` 1,800 per month

(33) The maximum exemption in respect of transport allowance granted to an blind employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty shall be - (June, 2009)

- (a) ` 1,600 per month [c] ` 3,200 per month
(b) Nil (d) ` 20,000 per

(34) Rajesh ,an employee of transport company receives ` 25,000 p.m. as basic salary. In addition, he gets 12,000 p.m. as transport allowance to meet his personal expenditure incurred in course of his official duty of running the transport from one place to another. He has expended ` 60,000 for the said purpose during the previous year. He is not in receipt of daily allowance. The quantum of transport allowance taxable is -

- (a) ` 43,200 (c) ` 1,44,000
(b) ` 24,000 (d) ` 84,000

(35) Kamlesh an employee of XYZ Ltd. receives ` 25,000 p.m. as basic salary. In addition, he gets ` 12,000 p.m. as dearness allowance and ` 15,000 p.m as uniform allowance. He has expended ` 60,000 to meet expenditure incurred on purchase and maintenance of uniform during the previous year. His taxable salary is -

- (a) ` 3,00,000 (c) ` 6,24,000
(b) ` 4,44,000 (d) ` 5,64,000

(36) Sahil an employee of XYZ Ltd. receives ` 25,000 p.m. as basic salary. In addition, he gets ` 15,000 p.m. as dearness allowance and ` 240 p.m as for three children as education allowance. His taxable salary is -

- (a) ` 4,80,000 (c) ` 4,80,480
(b) ` 4,86,240 (d) ` 4,80,960

(37) Naveen an employee of XYZ Ltd. receives ` 30,000 p.m. as basic salary. In addition, he gets ` 10,000 p.m. as dearness allowance,not forming part of salary and ` 2,000 p.m as fixed medical allowance. His taxable salary is -

- (a) ` 5,04,000 (c) ` 4,80,000
(b) ` 4,89,000 (d) ` 3,84,000

(38) Sneha is an employee in a private company. In the previous year she received salary ` 1,80,000 and entertainment allowance ` 12,000. She spent ` 6,000 on entertainment. Under section 16(ii), she is entitled to deduction of -

- (a) ` 12,000 (c) ` 5,000
(b) ` 6,000 (d) Nil.

(39) Manav receives ` 50,000 as basic salary from the government during the financial year 2016-17 and receives ` 9,000 by way of entertainment allowance which he spends in full for official purposes. The amount deductible under section 16(ii) in respect of the allowance will be ----- (Dec. 2010)

- (a) ` 5,000
- (b) ` 9,000
- (c) ` 10,000
- (d) None of the above.

(40) Ravi is receiving ` 10,000 as medical allowance from his employer. Out of this, he spends ` 5,000 on his own medical treatment, ` 2,000 on the medical treatment of his dependent wife and another ` 3,000 for the medical treatment of his major son who is not a dependent on him. The amount of medical allowance taxable in his hand is - (June 2016)

- (a) ` 10,000
- (b) ` 5,000
- (c) ` 3,000
- (d) Nil

PERQUISITES

(41) Any benefit or an amenity provided to the employee by the employer directly or indirectly whether in cash or in kind in addition to salary & wages is known as -----

- (a) Perquisite
- (b) Allowance
- (c) Deduction
- (d) Exemption

(42) Who amongst the following is considered to be a specified employee?

- (a) An director employee of the company.
- (b) An employee having the substantial interest in the company.
- (c) An employee whose income chargeable under
- (d) All of the above

(43) Rent free accommodation provided to employee by the employer is

- (a) Exempt from tax.
- (b) Taxable in case of non specified employee.
- (c) Taxable in case of specified employees only.
- (d) Taxable whether the employee is a specified employee or non specified employee.

(44) Any sum paid by the employer in respect of any obligation, for which such payment would have been payable by the employee is

- (a) Exempt from tax.
- (b) Taxable in case of non specified employee.
- (c) Taxable in case of specified employees only.
- (d) Taxable whether the employee is a specified employee or non specified employee.

(45) The amount of any contribution to an approved superannuation fund by the employer in respect of the employee is exempt from tax upto - (June, 2009)

- (a) ` 1,00,000 (c) ` 2,00,000
(b) ` 1,50,000 (d) Nil

(46) Credit card facility provided to employee by the employer is _

- (a) Exempt from tax.
(c) Taxable in case of non specified employees only.
(b) Taxable in case of specified employees only.
(d) Taxable whether the employee is a specified employee or non specified employee.

(47) Manav receives ` 50,000 p.m. as basic salary from the government during the financial year 2016-17 and has been provided rent free accommodation in Jaipur (population exceeds 25 lakhs). The license fee determined by the Government for such accommodation is ` 1,000 p.m. The market rent of such accommodation is ` 5,000 p.m. The taxable value of rent free accommodation will be _

- (a) ` 12,000 (c) ` 90,000 (b) ` 60,000 (d) Nil

(48) Kapil gets salary of ` 12,000 p.m. and is provided with rent-free unfurnished accommodation at Pune (population 20 lakh). House is owned by employer, fair rental value of which is ` 1,400 p.m. House was provided with effect from 15 July, 2016. Value of the perquisite of rent-free accommodation will be - (Dec. 2015)

- (a) ` 21,600 (c) ` 16,200 (b) ` 10,800 (d) ` 12,600

(49) Satish is employed as chief engineer in Gama Ltd., Chennai w.e.f. 1st April, 2016 for a consolidated salary of ` 60,000 per month. He is provided with rent-free unfurnished accommodation owned by the employer from 15 July, 2016 onwards. The value of taxable perquisite is ----- (June 2016)

- (a) ` 1,08,000 (c) ` 72,000 (b) ` 81,000 (d) ` 54,000

(50) Paresh receives ` 25,000 p.m. as basic salary from ABC Ltd. He is also provided dearness allowance of ` 10,000 p.m. (not forming part of retirement benefit) and has been provided rent free accommodation in Jaipur (population exceeds 25 lakhs) which is owned by employer. The market rent of such accommodation is ` 5,000 p.m. The taxable value of rent free accommodation will be -----

- (a) ` 63,000 (c) ` 60,000 (b) ` 45,000 (d) ` 30,000

(51) Rakesh receives ` 25,000 p.m. as basic salary from ABC Ltd. He is also provided dearness allowance of ` 10,000 p.m. (forming part of retirement benefit) and has been provided rent free accommodation in Alwar (population is ` 15 lakhs) which is owned by employer. The market rent of such accommodation is 5,000 p.m. The taxable value of rent free accommodation will be -

- (a) ` 42,000 (c) ` 60,000 (b) ` 31,500 (d) ` 63,000

(52) Sunny receives ` 15,000 p.m. as basic salary from ABC Ltd. He is also provided dearness allowance of ` 5,000 p.m. forming part of retirement benefit and has been provided rent free accommodation, which is owned by employer, in Tonk (population is 8 lakhs). The market rent of such accommodation is ` 1,000 p.m. The taxable value of rent free accommodation will be -----

- (a) ` 18,000 (c) ` 12,000 (b) ` 13,500 (d) ` 36,000

(53) Ravi receives ` 25,000 p.m. as basic salary from ABC Ltd. He is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit and has been provided rent free accommodation, which is taken on rent, in Tonk (population is 8 lakhs). The employer has paid monthly rent of ` 4,000. The taxable value of rent free accommodation will be -

- (a) ` 36,000 (c) ` 72,000 (b) ` 48,000 (d) ` 45,000

(54) Chhavi receives ` 25,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit and has been provided rent free accommodation, which is taken on rent, in Delhi (population exceeds 25 lakhs). The employer has paid monthly rent of ` 10,000. The taxable value of rent free accommodation will be -

- (a) ` 36,000 (c) ` 72,000 (b) ` 48,000 (d) ` 1,20,000

(55) Chhaya receives ` 25,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit and has been provided, accommodation owned by employer in Delhi (population exceeds 25 lakhs). The employer has charged rent of ` 4,000 p.m. from Chhaya. The taxable value of concessional accommodation will be -

- (a) ` 24,000 (c) ` 72,000 (b) ` 48,000 (d) Nil

(56) Kavya receives ` 25,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. She has been provided accommodation owned by employer with effect from 1st October 2016 in Delhi (population exceeds 25 lakhs). The market rent of such accommodation is ` 2,000 p.m. The taxable value of rent free accommodation for A/Y 2017-18 will be -

- (a) ` 36,000 (c) ` 72,000 (b) ` 12,000 (d) ` 48,000

(57) Garima receives ` 25,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. She has been provided accommodation in hotel in Delhi (population exceeds 25 lakhs). The employer has paid monthly rent of ` 8,000 for such hotel accommodation. The taxable value of concessional accommodation for AY 2017-18 will be -

- (a) ` 1,15,200 (c) ` 72,000 (b) ` 96,000 (d) ` 48,000

(58) Savita receives ` 25,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. She has been provided accommodation in Delhi (population exceeds 25 lakhs) with effect from 01-04-2016. The accommodation is owned by employer. The employer has also provided furniture original cost ` 50,000 (WDV ` 40,500) with effect from 1-10-2016. The market rent of such accommodation is ` 12,000 p.m. The taxable value of concessional accommodation for AY 2017-18 will be -

- (a) ` 74,500 (c) ` 76,050 (b) ` 77,500 (d) ` 74,025

(59) Remote area means an area that is located at least -----kilometers away from a town having a population not exceeding -----based on latest published all-India census.

- (a) 20, 40,000 (c) 40, 40,000 (b) 40, 20,000 (d) 20, 20,00

(60) When the employee is provided accommodation in a hotel for a period not exceeding-----transfer from one place to another, then the value of such perquisite shall be Nil. days on account of his

- (a) 10 (c) 90 (b) 15 (d) 60

(61) Accommodation provided to employee working at mining site which, being of a temporary nature and having plinth area not exceeding -----sq. feet, is located not less than ----- --kms. away from the local limits of any municipality or a cantonment board shall not be taxable.

- (a) 800, 8 (c) 800,40 (b) 1000,8 (d) 800,20

(62) Where on account of transfer of employee from one place to another, he is provided with accommodation at the new place of posting while retaining the accommodation at the other place, the value of perquisite shall be determined with reference to only one such accommodation which has the lower value for a period not exceeding days.

- (a) 60 (c) 30 (b) 90 (d) 120

(63) Ramesh, an employee of Gauri & Co. of Delhi, received the following payments during the previous year ended 31st March, 2017 : Basic salary : ₹ 2,40,000 and dearness allowance: 40% of basic salary (40% forming part of salary). Rent-free unfurnished accommodation provided by employer for which rent paid by employer being ₹ 50,000. The value of taxable perquisite in the hands of Ramesh will be ----- (Dec. 2014)

- (a) ₹ 41,760 (c) ₹ 36,000 (b) ₹ 50,000 (d) ₹ 52,500.

(64) Employer provides a car (below 1.6 Ltr. capacity) alongwith a driver to X partly for official and partly for personal purpose. The expenses incurred by the company are: Running and maintenance expenses - ₹ 32,000 & Driver's salary : ₹ 36,000. The Taxable value of LAR taxability for assessment year 2017-18 will be-

- (a) ₹ 21,600 (c) ₹ 32,400 (b) ₹ 10,800 (d) ₹ 39,600

(65) Garima receives ₹ 2,500 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ₹ 1,500 p.m. forming part of retirement benefit. She has been provided motor car (engine capacity exceeds 1.6 ltr) owned by employer for her personal use. Expenditure incurred by the employer on running and maintenance of the motor car during the relevant previous year amounted ₹ 15,000. The taxable value of car facility for AY 2017-18 will be -----

- (a) ₹ 15,000 (c) ₹ 28,800 (b) ₹ 21,600 (d) Nil

(66) Reshma receives ₹ 50,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ₹ 25,000 p.m. forming part of retirement benefit. She has been provided motor car (engine capacity exceeds 1.6 ltr) owned by employer for her personal use. The original cost of car is ₹ 6,00,000 (WDV ₹ 5,10,000). Expenditure incurred by the employer on running and maintenance of the motor car during the relevant previous year amounted ₹ 75,000. The salary of driver paid by the employer - ₹ 96,000. The taxable value of car facility for AY 2017-18 will be _

- (a) ₹ 2,31,000 (c) ₹ 2,22,000 (b) ₹ 39,600 (d) ₹ 1,71,000

(67) Sushma receives ₹ 50,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ₹ 25,000 p.m. forming part of retirement benefit. She has been provided motor car (engine capacity exceeds 1.6 ltr) owned by employer for her personal use as well as official use. The original cost of car is ₹ 6,00,000 (WDV ₹ 5,10,000). Expenditure incurred by the employer on running and maintenance of the motor car during the relevant previous year amounted ₹ 75,000. The salary of driver paid by the employer - ₹ 96,000. The taxable value of car facility for A Y 2017-18 will be -----

- (a) ₹ 2,31,000 (b) ₹ 39,600
(c) ₹ 2,22,000 (d) ₹ 1,71,000

(68) Karishma receives ` 25,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. She has been provided motor car (engine capacity does not exceed 1.6 lts) owned by employer for her personal use. The original cost of car is ` 3,50,000 (WDV ` 3,15,000). Expenditure incurred by the employer on running and maintenance of the motor car during the relevant previous year amounted ` 25,000. The salary of driver paid by the employer - ` 48,000. The taxable value of car facility for A Y 2017-18 will be -

- (a) ` 1,08,000 (b) ` 32,400
(c) ` 1,04,500 (d) ` 33,600

(69) Shraddha receives ` 25,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. She has been provided motor car (engine capacity does not exceed 1.6lts) owned by employer for her personal as well as official use. The original cost of car is ` 3,50,000 (WDV ` 3,15,000). Expenditure incurred by the employer on running and maintenance of the motor car during the relevant previous year amounted ` 25,000. The salary of driver paid by the employer - ` 48,000. The taxable value of car facility for AY 2017-18 will be-

- (a) ` 1,08,000 (b) ` 32,400
(c) ` 1,04,500 (d) ` 33,600

(70) Neerja receives ` 25,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. She has been provided motor car (engine capacity does not exceed 1.6lts) owned by employer for her personal use. The original cost of car is ` 3,50,000 (WDV ` 3,15,000). Expenditure incurred by the employer on running and maintenance of the motor car during the relevant previous year amounted ` 25,000. The salary of driver paid by the employer - ` 48,000. The employer recovers ` 2,000 p.m. from the employee. The taxable value of car facility for AY 2017-18 will be-

- (a) ` 1,08,000 (b) ` 84,000
(c) ` 80,500 (d) ` 32,400

(71) Shailja receives ` 30,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. She has been provided motor car (engine capacity exceeds 1.6 lts) owned by employer for her official use. The original cost of car is ` 3,50,000 (WDV ` 3,15,000). Expenditure incurred by the employer on running and maintenance of the motor car during the relevant previous year amounted ` 25,000. The salary of driver paid by the employer - ` 48,000. The taxable value of car facility for A Y 2017-18 will be -

- (a) Nil (b) ` 84,000
(c) ` 80,500 (d) ` 32,400

(72) Kareena receives ` 30,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. She has been provided motor car (engine capacity exceeds 1.6lts) owned by employer for commuting between office and residence. The original cost of car is ` 3,50,000 (WDV ` 3,15,000). Expenditure incurred by the employer on running and maintenance of the motor car during the relevant previous year amounted ` 25,000. The salary of driver paid by the employer - ` 48,000. The taxable value of car facility for AY 2017-18 will be -

- (a) ` 32,400 (b) ` 84,000
(c) ` 80,500 (d) Nil

(73) Priyanka receives ` 30,000 p.m. as basic salary from ABC Ltd. She is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. She has been provided motor car (engine capacity exceeds 1.6lts) owned by employer for her personal use. The car is self driven by her. The original cost of car is ` 3,50,000 (WDV ` 3,15,000). Expenditure incurred by the Priyanka on running and maintenance of the motor car during the relevant previous year amounted ` 25,000. The taxable value of car facility for AY 2017-18 will be-

- (a) ` 31,500 (b) ` 10,800
(c) ` 35,000 (d) ` 21,600

(74) Sunil receives ` 30,000 p.m. as basic salary from ABC Ltd. He is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. He has been provided motor car (engine capacity exceeds 1.6lts) owned by employer for his personal as well as official use. The car is self driven by him. The original cost of car is ` 3,50,000 (WDV ` 3,15,000). Expenditure incurred by Sunil on running and maintenance of the motor car during the relevant previous year amounted ` 25,000. The taxable value of car facility for AY 2017-18 will be -

- (a) ` 31,500 (b) ` 10,800
(c) ` 35,000 (d) ` 21,600

(75) Paresh receives ` 30,000 p.m. as basic salary from ABC Ltd. He is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. He has been provided motor car (engine capacity does not exceed 1.6lts) owned by employer for his personal as well as official use. The original cost of car is ` 3,50,000 (WDV ` 3,15,000). Expenditure incurred by Paresh on running and maintenance of the motor car during the relevant previous year amounted ` 25,000. The salary of driver paid by the employer amounted ` 48,000. The taxable value of car facility for A Y 2017-18 will be _

- (a) ` 83,000 (c) ` 10,800 (b) ` 18,000 (d) ` 7,200

(76) Sahil receives ` 30,000 p.m. as basic salary from ABC Ltd. He is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. He owns a motor car (engine capacity does not exceed 1.6 lts) which is used by him for personal purposes. The original cost of car is ` 3,50,000. Expenditure incurred by employer on running and maintenance of the motor car during the relevant previous year amounted ` 25,000. The salary of driver paid by the employer amounted ` 48,000. The taxable value of car facility for AY 2017-18 will be -

- (a) ` 73,000 (c) ` 40,600 (b) ` 55,000 (d) Nil

(77) Abdul receives ` 30,000 p.m. as basic salary from ABC Ltd. He is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. He owns a motor car (engine capacity does not exceed 1.6 lts) which is used by him for personal as well as official purposes. The original cost of car is ` 3,50,000. Expenditure incurred by employer on running and maintenance of the motor car during the relevant previous year amounted ` 25,000. The salary of driver paid by the employer amounted ` 48,000. The taxable value of car facility for A Y 2017-18 will be _

- (a) ` 33,400 (c) ` 40,600 (b) ` 73,000 (d) ` 32,400

(78) Tapas receives ` 30,000 p.m. as basic salary from ABC Ltd. He is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. He owns a motor car (engine capacity exceeds 1.6 lts) which is used by him for personal as well as official purposes. The original cost of car is ` 3,50,000. Expenditure incurred by employer on running and maintenance of the motor car during the relevant previous year amounted ` 25,000. The salary of driver paid by the employer amounted ` 48,000. The taxable value of car facility for AY 2017-18 will be -

- (a) ` 33,400 (c) ` 40,600 (b) ` 73,000 (d) ` 32,400

(81) Jasveer receives ` 30,000 p.m. as basic salary from ABC Ltd. He is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. He has been provided cook for which the actual cost to employer is ` 60,000. Jasveer has paid ` 20,000 to the cook. The taxable value of cook perquisite will be -

- (a) ` 60,000 (c) 40,000 (b) ` 80,000 (d) Nil

(82) Manoj receives ` 30,000 p.m. as basic salary from ABC Ltd. He is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. He has been provided free electricity facility for which the actual cost to employer is ` 58,000. The employer has recovered ` 8,000 from Manoj on account of such facility. The taxable value of electricity perquisite will be -

- (a) ` 58,000 (c) ` 50,000 (b) ` 66,000 (d) Nil

(83) Mahesh receives ` 30,000 p.m. as basic salary from Delhi Public School. He is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. His son is studying in the school for which the employer charges ` 200 p.m. The cost of such education in a similar institution in the locality is ` 3,500 p.m. The taxable value of education facility will be -

- (a) ` 39,600 (c) ` 42,000 (b) ` 27,600 (d) Nil

(84) Ashraf is an employee of Moon Public School. His daughter, Zara, is studying in the said school at a concessional fees of ` 600 per month (Actual fee : ` 4,000 per month). The amount taxable in the hands of Ashraf will be - (June, 2015)

- (a) ` 48,000 (c) Nil (b) ` 7,200 (d) 40,800.

(85) Ashok took an interest-free loan of ` 15,000 from B Ltd. (the employer). Assuming that the market rate of interest on similar loan is 10. the taxable value of the perquisite in the hands of Ashok will be - (June, 2015)

- (a) ` 150 (c) Nil (b) ` 1,500 (d) None of the above.

(86) During the previous year 2016-17, Barun received a watch worth ` 20,000 from his employer. The taxable value of the watch will be _ (June, 2015)

- (a) ` 15,000 (c) Nil (b) ` 20,000 (d) None of the above.

(87) Rajesh receives ` 30,000 p.m. as basic salary from Delhi Public School. He is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. His son is studying in the school for which the employer charges ` 200 p.m. The cost of such education in a similar institution in the locality is ` 1,200 p.m. The taxable value of education facility will be-

- (a) ` 14,400 (c) 16,800 (b) ` 12,000 (d) Nil

(88) Suresh is pilot of Jet airways. He receives ` 30,000 p.m. as basic salary. He is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. He has been provided transport facility in the conveyance owned by the company. The amount charged to general public on account of such facility is ` 25,000. The employer has recovered ` 5,000 from Suresh. The cost to employer is ` 18,500. The taxable value of transport facility will be -

- (a) ` 25,000 (c) ` 18,500 (b) ` 20,000 (d) Nil

(89) Kamal is employee of Kampala Roadways Pvt. Ltd. engaged in transportation of passengers. He receives ` 30,000 p.m. as basic salary. He is also provided dearness allowance of ` 15,000 p.m. forming part of retirement benefit. He has been provided transport facility in the conveyance owned by the

company. The amount charged to general public on account of such facility is ₹25,000. The employer has recovered ₹5,000 from Kamal. The cost to employer is ₹18,500. The taxable value of transport facility will be -

- (a) ₹25,000 (c) ₹18,500 (b) ₹20,000 (d) Nil

(90) "Family" for the purpose of medical facility means -

- (a) spouse of that individual
(b) children of that individual
(c) Parents, brothers and sisters of the individual
(d) All of the above or any of them wholly or mainly dependent on the individual.

(91) Ms. Janhvi is provided with an interest free loan by her employer for the purchase of a house. The value of the perquisite shall be - (June 2016)

- (a) Simple interest computed at the rate charged by the Central Government to its employees on 1st April of the previous year
(c) Simple interest computed at the rate charged by National Housing Bank on 1st April of the previous year
(b) Simple interest computed at the rate charged by State Bank of India on 1st April of the previous year
(d) Simple interest computed at the rate determined by the employer on 1st April of previous year.

(92) Kamal is employee of Apollo Hospitals Pvt. Ltd. He receives ₹30,000 p.m. as basic salary. He is also provided dearness allowance of ₹15,000 p.m. forming part of retirement benefit. The employer has incurred an expenditure of ₹25,000 on medical treatment of his minor child and ₹75,000 on medical treatment of his brother not dependent on Kamal in the hospital maintained by the employer. The taxable value of medical facility will be -

- (a) ₹25,000 (c) ₹85,000 (b) ₹75,000 (d) ₹60,000

(93) Any sum paid by the employer in respect of an expenditure incurred by an employee on his medical treatment or treatment of any of his family member in private hospital is exempt upto -

- (a) ₹25,000 (c) ₹30,000 (b) ₹15,000 (d) ₹60,000

(94) Himalaya Ltd. reimburses the following expenditure on medical treatment of the son of an employee Karan. The treatment was done at UK : (June 2005)

- (i) Travelling expenses ₹1,15,000.
(ii) Stay expenses at UK permitted by RBI ₹45,000 (Actual expenses ₹70,000). (iii) Medical expenses permitted by RBI ₹50,000 (Actual expenses ₹70,000).

The taxable perquisites in the hands of Karan, if his annual income from salary was ₹1,56,000 will be -

- (a) ₹2,55,000 (b) ₹45,000
(c) ₹1,60,000 (d) Nil

(95) Mr. M was granted an option on 1-7-2015 by the company to purchase 500 equity shares at a price of ₹250 per share. The period during which the option can be exercised to purchase 500 shares at a pre-determined price of ₹250 per share commencing on 1-7-2015 and ending on 31-3-2017. Mr. M exercised the option on 15-3-2016 to purchase 500 shares. Fair market value on the said date was ₹500 on the Bombay Stock Exchange and ₹600 on the National Stock Exchange. The NSE has recorded the higher volume of trading in that share. The company has allotted him 500 shares on 24th April, 2016. The fair market value on the date of allotment was ₹800 per share on NSE and ₹850 on the BSE, that has recorded the higher volume of trading in that share. The taxable value of employees stock option plan will be -

- (a) ₹1,25,000 (c) ₹2,75,000 (b) ₹1,75,000 (d) ₹3,00,000)

(96) Ashish is employee of ABC Pvt. Ltd. He receives ₹30,000 p.m. as basic salary. He is also provided dearness allowance of ₹15,000pm. forming part of retirement benefit. The employer has provided interest free loan of ₹1,00,000 on 1-4-2016 for medical treatment of specified diseases. The rate of interest charged by SBI on such loan is 12% p.a. The entire loan is outstanding during the previous year. The taxable value of perquisite will be -

- (a) ₹12,000 (b) ₹1,00,000
(c) ₹1,12,000 (d) Nil

(97) Interest-free loan to an employee, where the amount of loan does not exceed anyone of the following, shall be treated as the tax-free perquisite in all cases under section 17(2) - (June, 2009)

- (a) ₹10,000 (c) ₹20,000 (b) ₹15,000 (d) ₹25,000

(98) A Ltd. has advanced an interest free loan of ₹5,00,000 to B for purchase of car on 1-5-2016. B has been repaying the loan in instalments of ₹20,000 p.m. on the 1st of next month. Compute the value of perquisite on account of interest assuming the interest charged by SBI is 10% p.a.

- (a) ₹34,833 (c) ₹40,000 (b) ₹36,667 (d) ₹50,000

(99) Prakash obtained interest-free loan of ₹20,000 from his employer company for purchasing a two-wheeler. The market rate of interest on such loan is 20% per annum. The lending rate of State Bank of India is 12.5 and that of the private sector banks is 16. The taxable amount of this perquisite will be computed at the rate of - (Dec. 2010)

- (a) 20% (c) 12.5% (b) 16% (d) Nil rate.

(100) Aakash obtained interest-free loan of ₹2,00,000 from his employer company for purchasing a four-wheeler on 1-10-2016. The market rate of interest on such loan is 20 per annum. The lending rate of State Bank of India is 12.5 and that of the private sector banks is 16. The entire loan is outstanding as on 31-03-2017. The taxable amount of this perquisite for AY 2017-18 will be-

- (a) ₹12,500 (c) ₹20,000 (b) ₹25,000 (d) ₹16,000

ANSWERS:

1.B	2.D	3.A	4.A	5.B	6.B	7.D	8.B	9.A	10.A
11.B	12.A	13.A	14.C	15.C	16.C	17.B	18.B	19.B	20.C
21.B	22.B	23.B	24.C	25.A	26.B	27.B	28.D	29.B	30.D
31.A	32.C	33.C	34.A	35.D	36.D	37.A	38.D	39.A	40.A
41.A	42.D	43.D	44.D	45.B	46.D	47.A	48.B	49.B	50.A

51.A	52.A	53.B	54.C	55.A	56.A	57.B	58.A	59.B	60.B
61.A	62.B	63.A	64.C	65.D	66.A	67.B	68.A	69.B	70.B
71..A	72.D	73.C	74.B	75.B	76.A	77.C	78.A	79.A	80.A
81.A	82.C	83.A	84.D	85.C	86.B	87.D	88.D	89.B	90.D
91.B	92.B	93.B	94.C	95.B	96.D	97.C	98.B	99.D	100.A

BUSINESS OR PROFESSION

(1) Which is the charging section of income under the head profits and gains of business or profession?

(a) Section 15 (b) Section 24

(c) Section 28 (d) Section 17

(2) Export Incentives taxable under this head includes:

(a) Cash Compensatory Support (b) Duty Drawback

(c) Profit on transfer of DEPB (d) All of the above

(3) includes any arrangement or understanding or action in concert whether or not it is formal or in writing or whether or not it is intended to be enforceable by legal proceedings:

(a) Contract

(c) Service

(b) Agreement

(d) Profession

(4) Which of the following conditions are to be fulfilled for charging an income under the head profits and gains of business or profession

(a) There should be profits and gains.

(b) Business or profession must be carried on by the assessee.

(c) Business or profession should be carried on at any time during previous year.

(d) All of the above.

(5) Which of the following are included in business according to section 2(13) :

(a) Trade

(c) Manufacture

(b) Commerce

(d) All of the above

(6) Assessee is having stock existing in the business. Valuation of stock will be at:

(a) Cost price

(c) Cost or market price, whichever is less

(b) Market price

(d) Cost or market price, whichever is more

(7) Method of accounting to be followed for computing income chargeable under the head PGBP shall be :

(a) Cash system

- (b) Mercantile system
- (c) Cash or mercantile system at the option of assessee
- (d) None of the above

(8) Under the Income-tax Act, 1961, 'notional profit' from speculative business is - (June, 2015)

- (a) Taxable under the head 'income from profits
- (b) Taxable under the head 'income from other and gains of business and profession' sources'
- (c) Taxable either as income from other sources or
- (d) Not taxable as income from profits and gains of business and profession

(9) Transaction in which a contract for the purchase or sale of any commodity including stocks and shares is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or scrips is known as :

- (a) Wagering transaction
- (b) Speculative transaction
- (c) Deemed Speculation business
- (d) None of these

(10) X, Manager of XYZ Ltd. since 2002 was terminated by the company on 1 st August, 2016 by paying a compensation of 200 lakh. Such compensation is ----- (Dec. 2015)

- (a) Chargeable under the Wealth-tax Act, 1957
- (b) Not chargeable under the Income-tax
- (c) Chargeable under section 17(3)(i)
- (d) Chargeable under section 28(ii)(a).

(11) HSK, an LLP had taken keyman insurance policy on the life of its managing partner. The policy got matured on 13th September, 2016 and an amount of `75lakh was paid by the insurers to the managing partner. The amount so received on maturity of the policy by the managing partner is - (Dec. 2015)

- (a) Fully exempt u/s 10(10D)
- (b) 50% of 75lakh exempt
- (c) ` 75lakh taxable
- (d) ` 25 lakh exempt and ` 50 lakh taxable

(12) Raman & Co., a partnership firm, received ` 5,00,000 from an insurance company under keyman insurance policy consequent to demise of partner Pramod. The amount of premium ` 2,30,000 paid earlier was claimed as deduction under section 37 by the firm. The amount received from the insurance company is - (June 2016)

- (a) Tax-free under section 10(10D)
- (b) Fully taxable as income`
- (c) ` 2,70,000 is taxable
- (d) ` 2,30,000 is taxable

(13) Under the head 'profits and gains of business or profession', the method of accounting that should be followed by an assessee is - (June 2016)

- (a) Cash system only
- (b) Mercantile system only
- (c) Hybrid system only
- (d) Cash system or mercantile system only

DEPRECIATION, WDV, ACTUAL COST ADDITIONAL DEPRECIATION,

UNABSORBED DEPRECIATION & INVESTMENT ALLOWANCE

(14) As per section 30, which expenditure incurred for a building used for the business or profession shall not be allowed as deduction?

- (a) Rent, rates and taxes
- (b) Insurance of building
- (c) Repairs of building
- (d) Capital expenditure

(15) Group of assets falling within a class of assets comprising of tangible & intangible assets is known as :

- (a) Group of assets
- (b) Block of assets
- (c) Set of assets
- (d) None of these

(16) Which of the following condition should be fulfilled for claiming depreciation u/ s 32 ?

- (a) Asset must be owned wholly or partly by the
- (b) Asset must be used for the purpose of business assessee. or profession of the assessee.
- (c) Asset should be used during the relevant Assessment year.
- (d) All of the above.

(17) Depreciation available, if asset is used for less than 180 days during the year of acquisition shall be of block rate:

- (a) 50%
- (b) 20%
- (c) 100%
- (d) 15%

(18) If the Plant & Machinery is used for less than 180 days in the year of its acquisition, then, at what rate the depreciation on that asset should be provided under section 32?

- (a) 7.5%
- (b) 15%
- (c) 20
- (d) 10%

(19) If the Computer is purchased on 11th May, 2016 then at what rate depreciation will be provided on it?

- (a) 60%
- (b) 100%
- (c) 30%
- (d) 0%

(20) If the machinery is purchased on 4th October, 2016 then at what rate depreciation will be provided on it?

- (a) 60%
- (b) 7.5%
- (c) 15%
- (d) 10%

(21) The transfer of one or more undertakings as a result of the sale for a lump sum consideration without values being assigned to the individual assets and liabilities in the sale is known as :

- (a) Lump sum sale
- (b) Slump sale
- (c) Aggregate sale
- (d) Total sale

(22) What is the rate of depreciation charged on computer software?

- (a) 10%
- (b) 15%
- (c) 60%
- (d) 100%

(23) Rate of depreciation chargeable on fully temporary wooden structure for the assessment year 2017-18 is-

- (a) 5%
- (b) 10%
- (c) 100%
- (d) None of the above.

(24) Rate of depreciation chargeable on temporary wooden structure for the assessment year 2017-18 is - (Dec. 2014)

- (a) 25% (b) 10%
(c) 100% (d) 50%.

(25) Under the Income-tax Act, 1961, depreciation on machinery is charged on -

- (a) Purchase price of the machinery (b) Market price of the machinery
(c) Written down value of the machinery (d) All of the above.

(26) If a block of assets ceases to exist on the last day of the previous year, depreciation admissible for block of assets will be _ (June, 2015)

- (a) Nil
(b) 50% of the value of the block of assets on the first day of the previous year
(c) The total value of the block of assets.
(d) 50% of the value of the block of assets on the day of the previous year last day of the previous year.

(27) Opening WDV of the block of assets was ₹ 15,00,000. During the year, asset was acquired under this block on 15th June 2016 amounting to ₹ 10,00,000. Rate of depreciation of the block is 15%. Calculate the amount of depreciation available during the previous year for the block.

- (a) ₹ 3,25,000 (c) ₹ 3,00,000
(b) ₹ 3,75,000 (d) ₹ 2,25,000

(28) Opening WDV of the block of assets was ₹ 15,00,000. During the year, asset was acquired under this block on 15th June 2016 amounting to ₹ 10,00,000. One of the asset falling within the block was sold for ₹ 5,50,000 on 14-01-2017. Rate of depreciation of the block is 10%. Calculate the amount of depreciation available during the previous year for the block.

- (a) ₹ 1,95,000 (b) ₹ 2,50,000
(c) ₹ 1,45,000 (d) ₹ 2,22,500

(29) Opening WDV of the block of assets was ₹ 15,00,000. During the year, asset was acquired under this block on 15th January 2017 amounting to ₹ 10,00,000. One of the asset falling within the block was sold for ₹ 5,50,000 on 14 January 2017. Rate of depreciation of the block is 10. Calculate the amount of depreciation available during the previous year

- (a) ₹ 1,95,000 (c) ₹ 1,45,000
(b) ₹ 2,50,000 (d) ₹ 2,22,500

(30) Opening WDV of the block of assets was ₹ 25,00,000. During the year, asset was acquired under this block on 11th October 2016 amounting to ₹ 15,00,000. Also, moneys payable in respect of asset falling within this block was ₹ 38,00,000. Rate of depreciation of the block is 10%.

Calculate the amount of depreciation available during the previous year for the block.

- (a) ₹ 20,000 (c) ₹ 1,50,000
(b) ₹ 10,000 (d) ₹ 15,000

(31) Adhu Ltd. owns machinery (rate of depreciation is 15), the written down value of which as on 1st April, 2016 is ` 30,00,000. Due to fire, entire assets in the block were destroyed and the insurer paid ` 25,00,000. The eligible depreciation in respect of this machinery is -

- (a) ` 4,50,000 (c) ` 5,00,000
(b) ` 75,000 (d) Nil

(32) Vaibhav, deriving business income, owns a car whose WDV as on 1st April, 2015 was ` 3,00,000. This is the only asset in the block of assets with rate of 15. It is estimated that one-third of the total usage of the car is for personal use in both years. The WDV of the block of assets as on 31st March, 2016 would be - (June, 2015)

- (a) ` 2,16,750 (c) ` 2,55,000
(b) ` 2,43,000 (d) None of the above.

(33) While computing the actual cost of any asset falling within a block, direct costs attributable to bring asset to its present location and working condition for its intended use (i.e. expenses incurred for acquiring the asset e.g. - freight, insurance, loading and handling etc. and expenses incurred in connection with the installation of the asset.) shall:

- (a) be added to the purchase price (c) be subtracted from WDV
(b) be subtracted from the purchase price (d) be claimed as revenue expenditure.

(34) While computing the actual cost of any asset falling within a block, amount of duty of excise or additional duties of customs levied on it and included in its cost, in respect of which claim of CENVAT credit has been made and allowed under the CENVAT Credit Rules, 2004, shall be:

- (a) Added to the purchase price (c) Added to the WDV
(b) Subtracted from the purchase price (d) Claimed as revenue expenditure

(35) While computing the actual cost of any asset falling within a block, portion of cost of asset which has been met directly by the Central Government or a State Government or any authority under any law or any other person, in the form of a subsidy or grant or reimbursement, shall be:

- (a) Added to the purchase price (b) Subtracted from the purchase price
(c) Added to the WDV (d) Claimed as revenue expenditure

(36) In which of the following case no depreciation is allowable _

- (a) Block exists but WDV ceases to exist. (c) WDV & Block both ceases to exist.
(b) WDV exists but the block ceases to exist. (d) All of the above.

(37) Sunil acquired a building for ` 15 lakh in June, 2014 in addition to cost of land beneath the building of ` 3 lakh. It was used for personal purposes until he commenced business in June, 2016 and since then it was used for business purposes. The amount of depreciation eligible in his case for the assessment year 2017-18 would be - (Dec. 2015)

- (a) ` 1,50,000 (c) ` 37,500
(b) ` 75,000 (d) ` 1,21,500

(38) Ramson Industries acquired a factory building for self use in November, 2016. The value of land underneath the building was ₹ 5 lakh and value of building was ₹ 10 lakh. The amount of eligible depreciation allowable for assessment year 2017-18 is - (June 2016)

- (a) ₹ 1,50,000 (c) ₹ 1,00,000
(b) ₹ 25,000 (d) ₹ 50,000

(39) Q & Co., a sole proprietary concern, was converted into a Company on 1-9-2016. Before the conversion, the sole proprietary concern had a Block of Plant and Machinery (Rate of Depreciation 15%), whose WDV as on 1-4-2016 was ₹ 3,00,000. On 1st April, itself a new Plant of the same Block was purchased for ₹ 1,20,000. After the conversion, the Company has purchased the same type of Plant on 1-1-2017 for ₹ 1,60,000.

Compute the depreciation that would be allocated between the sole proprietary concern and the successor company.

- (a) ₹ 26,408 : ₹ 48,592 (c) ₹ 75,000 : ₹ 0
(b) ₹ 0 : ₹ 75,000 (d) No depreciation for this year

(40) R, an assessee carries on business in respect of which it holds tenancy rights. It carries out improvements to the said building at a cost of ₹ 2 lakhs and claims depreciation @ 10% thereon. Which is the correct answer?

- (a) No depreciation available on the ground that
(b) Depreciation allowed of ₹ 20,000. the assessee is not the owner of the building.
(c) Deduction of ₹ 2,00,000 available.
(d) The amount of ₹ 2,20,000 will be capitalised.

(41) XYZ Ltd is engaged in production of textile articles. Opening WDV of the block of assets was ₹ 15,00,000. During the year, plant was acquired under this block on 15th June 2016 amounting to ₹ 10,00,000. One of the asset falling within the block was sold for ₹ 5,50,000 on 14-01-2017. Rate of depreciation of the block is 15%. Calculate the total amount of depreciation including additional depreciation available during the previous year for the block.

- (a) ₹ 2,92,500 (c) ₹ 3,92,500
(b) ₹ 4,92,500 (d) ₹ 3,52,500

(42) XYZ Ltd is engaged in production of textile articles. Opening WDV of the block of assets was ₹ 15,00,000. During the year, plant was acquired under this block on 15th December 2016 amounting to ₹ 10,00,000. One of the asset falling within the block was sold for ₹ 5,50,000 on 14-01-2017. Rate of depreciation of the block is 15%. Calculate the total amount of depreciation including additional depreciation available during the previous year for the block.

- (a) ₹ 2,92,500 (c) ₹ 4,92,000
(b) ₹ 3,17,500 (d) ₹ 3,52,500

(43) Mohit purchased an asset for scientific research in the previous year 2007-08 for ₹ 30,00,000. During the previous year 2016-17 the said asset ceased to be used for scientific research. Profit from business before depreciation ₹ 10,00,000 and Written down value of block of assets 15 as on 1st April, 2016 ₹ 20,00,000. The scientific research asset if used for business shall be eligible for depreciation @ 15%. The cost inflation index for 2007-08 is 551 and for 2016-17 is 1125. Compute

the total income if the scientific research asset is sold for ` 65,00,000 during 2016-17, assuming that it is sold without using for business.

- (a) ` 40,74,770 (c) ` 65,00,000
(b) ` 50,00,000 (d) ` 10,00,000

Ans.(a)

(44) What shall be your total income in the above case, if the is sold after using for business.

- (a) ` 40,31,990 (c) ` 65,00,000
(b) ` 55,00,000 (d) ` 10,00,000

Ans.(b)

(45) Where an asset used for scientific research for more than three years is sold without having been used for other purposes, then the sale proceeds to the extent of the cost of the asset already allowed as deduction under section 35 in the past shall be treated as _ (June 2016)

- (a) Business income (c) Short-term capital gain
(b) Long-term capital gain (d) Exempted income.

(46) In the case of any new machinery or plant (other than ships and aircraft), acquired by an assessee engaged in the business of manufacture or production of any article or thing as well as assessee engaged in the business of generation or generation and distribution of power, how much additional depreciation of actual cost of such plant and machinery is available?

- (a) 10% (c) 5% (b) 25% (d) 20%

(47) In the case of any new machinery or plant (other than ships and aircraft), acquired by an assessee on 01-04-2016 engaged in the business of manufacture or production of any article or thing in the backward areas of the State of Andhra Pradesh, how much additional depreciation of actual cost of such plant and machinery is available in AY 2017-18?

- (a) 17.5% (c) 10% (b) 20% (d) 35%

(48) In the case of any new machinery or plant amounting is acquired by an assessee engaged in the business of manufacture or production of any article or thing is put to use for less than 180 days, the additional depreciation admissible in FY 2016-17 and FY 2017-18 will be and respectively.

- (a) 10%,10% (c) 20%, Nil
(b) Nil,20% (d) 15%, Nil

(49) In the case of any new machinery or plant amounting ` 25,00,000 is acquired by an assessee on 10-12-2016 engaged in the business of manufacture or production of any article or thing, the additional depreciation admissible in FY 2016-17 and

FY 2017-18 will be and respectively. .

- (a) ` 5,00,000 , NIL (c) ` 2,50,000 , ` 2,50,000
(b) Nil, ` 5,00,000 (d) ` 3,75,000, Nil

(50) Depreciation claimed by Mr. Gupta while computing profit in profit and loss account: ` 50,000. Depreciation allowable as per Income Tax Rules : ` 58,000. Calculate the amount of depreciation allowable while computing gross total income of Mr. Gupta.

- (a) ` 50,000 (c) ` 1,08,000
(b) ` 58,000 (d) ` 8,000

(51) An assessee was engaged in the business of manufacture of chemicals in Rajasthan. New machinery amounting to ` 5,50,000 was purchased by it on 1st June, 2016. Calculate the additional depreciation available.

- (a) ` 1,10,000 (c) ` 55,000
(b) ` 82,500 (d) Nil

(52) H in the above case the new machinery was purchased on 4th October, 2016, calculate the additional depreciation available.

- (a) ` 1,10,000 (c) ` 55,000
(b) ` 82,500 (d) Nil

(53) Calculate the additional depreciation available in the above case for the financial year 2017-18.

- (a) ` 1,10,000 (c) ` 55,000
(b) ` 82,500 (d) Nil

(54) An assessee was engaged in trading of goods. New machinery amounting to ` 10,00,000 was purchased by it on 1st June, 2016.

Calculate the additional depreciation available.

- (a) ` 1,00,000 (b) ` 2,00,000
(c) Nil (d) ` 2,50,000

(55) Unabsorbed depreciation can be carried forward for:

- (a) 10 years (b) 8 years
(c) 0 years (d) Indefinite period

(56) Investment allowance is allowed as deduction in case investment in new plant and machinery exceeds:

- (a) ` 10 crores (b) ` 25 crores
(c) ` 50 crores (d) ` 100 crores

(57) Who is the "eligible assessee" engaged in the business of manufacture or production of any article or thing, who can claim investment allowance under Section 32AC?

- (a) Company (c) HUF
(b) All persons (d) Assessee whose gross turnover exceeds ` 100 lakhs

(58) Who is the "eligible assessee" engaged in the business of manufacture or production of any article or thing, who can claim investment allowance under Section 32AD?

- (a) Company (c) HUF
(b) All persons (d) Assessee whose gross turnover exceeds ` 100 lakhs

(59) Investment allowance is available at rate of _____ actual cost of plant and machinery:

- (a) 10% (c) 50%
(b) 15% (d) 20%.

(62) Chola Ltd., engaged in manufacture, acquired machineries for ` 30 crore in July, 2015 and for ` 27 crore in April, 2016. All the machines were used within 45 days of acquisition. The deduction under section 32AC for the assessment year 2017-18 will be _

- (a) ` 40,50,000 (c) ` 85,50,000
(b) ` 45,00,000 (d) ` 54,00,000

(63) Compute the amount of investment allowance under Section 32AD available to industries located in notified backward areas in State of Andhra Pradesh or Bihar or Telangana or West Bengal if amount invested in new plant and machinery is ` 30 crore on 1st April 2016 :

- (a) ` 3 crore (c) ` 6 crore
(b) ` 4.5 crore (d) ` 2.25 crore

(64) What would be your answer if in the above case amount is invested on 17th October 2016 :

- (a) ` 3 crore (c) ` 6 crore
(b) ` 4.5 crore (d) ` 2.25 crore

(65) Under section 32AC if the new asset is sold/transferred within years then amount of deduction allowed in respect of such new asset shall be deemed to be the income of the assessee chargeable under the head "PGBP" of the previous year in which such new asset is sold or otherwise transferred, in addition to taxability of gains, arising on account of transfer of such new asset.

- (a) 3 (c) 1 (b) 5 (d) 10

(66) XYZ Pvt. Ltd. was engaged in the business of manufacturing fertilizers. Opening WDV of the block of plant and machinery was ` 80 crores. During the year, asset was acquired under this block on 11th July 2016 amounting to ` 150 crore. Rate of depreciation of the block is 15%. Calculate the amount of investment allowance available.

- (a) ` 22.5 crore (c) ` 150 crore
(b) ` 30 crore (d) ` 100 crore

(67) If in the above case, the asset was acquired on 30th December, 2016 then the amount of investment allowance available will be:

- (a) ` 22.5 crore (c) ` 150 crore
(b) ` 30 crore (d) ` 100 crore

(68) XYZ Pvt. Ltd. was engaged in the business of manufacturing fertilizers. Opening WDV of the block of plant and machinery was ` 50 crores. During the year, asset was acquired under this block on 11 th July 2016 amounting to ` 150 crore. Rate of depreciation of the block is 15. Calculate the WDV of the block of asset.

- (a) ` 100 crore (c) ` 165.5 crore
(b) ` 143 crore (d) ` 150 crore

(69) XYZ Pvt. Ltd. was engaged in the business of manufacturing fertilizers located in the backward area of State of West Bengal. Opening WDV of the block of plant and machinery was ` 80 crores. During the year, asset was acquired under this block on 11th July 2016 amounting to ` 150 crore. Rate of depreciation of the block is 15%. Calculate the WDV of the block of asset.

- (a) ` 100 crore (c) ` 143 crore
(b) ` 165.5 crore (d) ` 150 crore

(70) XYZ Pvt. Ltd. was engaged in the business of manufacturing fertilizers. Opening WDV of the block of plant and machinery was ` crores. During the year, asset was acquired under this block on 11th July 2016 amounting to ` 50 crore. Second hand machinery was also purchased amounting to ` 70 crores. Rate of depreciation of the block is 15%. Calculate the amount of investment allowance available.

- (a) ` 18 crore (c) ` 7.5 crore
(b) Nil (d) ` 10 crore

CERTAIN SPECIAL DEDUCTIONS - SECTION 33AB TO 35E

(71) What is the amount of deduction in relation to Tea, Coffee and Rubber development A/C u/s 33AB?

- (a) 20% of profits of such business. (c) 60% of profits of such business.
(b) 40% of profits of such business. (d) 100% of profits of such business.

(72) XYZ Ltd. has derived a profit of ` 100 lakhs from the business of growing and manufacturing tea in India. It has deposited a sum of ` 38 lakhs in Tea deposit account. What is the amount of deduction in relation to Tea, Coffee and Rubber development A/C u/s 33AB?

- (a) ` 20 lakhs (b) ` 38 lakhs
(c) ` 40 lakhs (d) ` 60 lakhs

(73) XYZ Ltd. has derived a profit of ` 100 lakhs from the business of growing and manufacturing coffee in India. It has deposited a sum of ` 42 lakhs in development account. What is the amount of deduction in relation to Tea, Coffee and Rubber development A/C u/s 33AB?

- (a) ` 20 lakhs (b) Nil lakhs
(c) ` 40 lakhs (d) ` 60 lakhs

(74) If an asset acquired in accordance with the site restoration scheme is sold or otherwise transferred in any previous year before the expiry of -----years from year of its acquisition and such part of the cost of asset is relatable to the deduction already allowed under this section will be deemed to be the profits of business in the year of such sale or transfer:

- (a) 5 (c) 8 (b) 4 (d) 10

(75) The amount of deduction in relation to site restoration fund u/s 33ABA is :

- (a) Aggregate of amounts deposited in special A/c or Site restoration A/c.

(b) 20 of profits of such business.

(c) Higher of (a) or (b).

(d) Lower of (a) or (b).

(76) The amount of deduction available for revenue expenditure incurred during the previous year, on scientific research related to the business; and expenditure incurred on scientific research within the 3 years preceding the date in which the business commences by way of salary of employees/purchase of materials will be:

(a) Amount of expenditure incurred

(c) 1.5 x expenditure incurred

(b) 2 x expenditure incurred

(d) None of these

(77) Mr. X has incurred revenue expenditure of `5,00,000 during the previous year, on scientific research related to the business. The amount of deduction admissible under Section 35 will be :

(a) `5,00,000

(c) `7,50,000

(b) `10,00,000

(d) None of these

(78) Mr. X has incurred capital expenditure of `5,00,000 (which includes `1,00,000 on cost of land) during the previous year, on scientific research related to the business. The amount of deduction admissible under Section 35 will be :

(a) `4,00,000

(c) `6,00,000

(b) `8,00,000

(d) `10,00,000

(79) The amount of deduction available for the sum paid to approved scientific research association, university, college or institution whose object is undertaking of scientific research will be :

(a) 2 times

(c) 1.75 times

(b) 1.5 times

(d) None of these

(80) Where the assessee does not himself carry on scientific research but makes contributions to an approved university, college or institution, to be used for scientific research related or unrelated to the business of assessee, hence the amount of deduction from income of business shall be allowed on such contribution to the extent of - (Dec. 2014)

(a) 125%

(c) 100%

(b) 175%

(d) 200%

(81) Mr. Rajan has incurred expenditure of `5,00,000 by way of payment of sum to approved scientific research association whose object is undertaking of scientific research. The amount of deduction admissible under Section 35 will be :

(a) `8,75,000

(c) `5,00,000

(b) `7,50,000

(d) `10,00,000

(82) X Ltd. paid `10 lakh to an approved college to be used for scientific research unrelated to its business. The amount eligible for deduction under section 35(1)(ii) is ----- (Dec. 2015)

(a) `5lakh

(c) `17.50 lakh

(b) `10 lakh

(d) Nil

(83) The amount of deduction available for the sum paid to a company having as its main object 'scientific research and development' to be used by it for scientific research; or Sum paid for social science or statistical research to a university, college, or institution will be :

- (a) 100% of sum paid (c) 150% of sum paid
(b) 200% of sum paid (d) 125% of sum paid

(84) According to section 35(1)(iv) the amount of deduction claimed on capital expenditure on scientific research is:

- (a) Amount of expenditure incurred (c) 1.5 x expenditure incurred
(b) 1.25 x sum paid (d) None of these

(85) An assessee made a capital expenditure on purchase of land amounting to ` 150 lacs during the previous year on scientific research related to the business carried on by him. Amount of deduction available to assessee for this expenditure is:

- (a) 1 x expenditure incurred (c) 1.5 x expenditure incurred
(b) 1.25 x sum paid (d) NIL

(86) According to Section 35(2AA) the amount of deduction claimed for sum paid to a National Laboratory for approved programme is :

- (a) Amount of expenditure incurred (c) 1.5 x expenditure incurred
(b) 2 x expenditure incurred (d) None of these

(87) According to Section 35(2AB) expenditure incurred for the manufacture or production of chemical fertiliser:

- (a) Amount of expenditure incurred (c) 2 x expenditure incurred
(b) 1.25 x sum paid (d) None of these

(88) Assessee company engaged in the business of bio-technology incurred an expenditure of ` 10,00,000 on scientific research which includes cost of land of ` 2,00,000. Compute the amount of deduction available.

- (a) ` 10,00,000 (c) ` 16,00,000
(b) ` 8,00,000 (d) ` 20,00,000

(89) The amount of deduction available for the expenditure incurred (other than cost of land or building) on scientific research, in-house research and development facility, by a company engaged in the business of bio-technology or manufacture or production of article or thing (other than article or thing specified in XI Schedule) will be:

- (a) 100% (c) 200%
(b) 125% (d) None of these

(90) Assessee company engaged in the business of bio-technology incurred an expenditure of ` 10,00,000 on scientific research which includes cost of land of ` 2,00,000. The aforesaid company does not maintain books of accounts for research and development facility and thus has not audited its accounts. Compute the amount of deduction available.

- (a) ` 10,00,000 (c) ` 16,00,000
(b) Nil (d) ` 20,00,000

(91) XYZ Ltd. engaged in the business of providing telecommunication services has incurred a capital expenditure of ` 10,00,000 on telecommunication licence. The period of licence is 10 years. Compute the amount of deduction available under Section 35ABB during the year.

- (a) ` 10,00,000 (c) ` 2,00,000
(b) ` 1,00,000 (d) ` Nil

(92) Deduction in respect of expenditure incurred for obtaining licence to operate telecommunication services shall be available during the period of :

- (a) 5 years (c) 10 years
(b) License (d) 8 years

(93) The amount of deduction available under section 35AC for expenditure incurred on Eligible Projects or Schemes is:

- (a) 100% (c) 200%
(b) 125% (d) None of these

(94) Specified business under section 35AD includes:

- (a) Cross-country crude or petroleum oil pipeline
(b) Slum redevelopment housing project.network.
(c) Bee-keeping and production of honey and beeswax
(d) All of the above.

(95) The amount of deduction available under section 35AD for capital expenditure incurred in business of Cold chain facilities will be :

- (a) 100% (c) 150%
(b) 125% (d) None of these

(96) The amount of deduction available under section 35AD for capital expenditure incurred in business of Inland Container Depot or a Container Freight Station:

- (a)100% (b) 125%
(c) 150% (d) None of these

(97) Assessee engaged in the business of Cross-country natural gas pipeline network incurred an expenditure on acquisition of goodwill. Deduction available under section 35AD: .

- (a) 100% (c) 150%
(b) 125% (d) Nil

(98) Which of the following is not one of the Specified businesses under section 35AD includes:

- (a) Slurry pipe line

(b) Semi-conductor wafer manufacturing unit fabrication

(c) Hotel

(d) Sugar factory

(99) Minimum holding period of capital asset acquired under section 35AD is :

(a) 8 years

(b) 10 years

(c) 5 years

(d) 15 years

ANSWERS

									D
C	B	D	D	B	D	A	A	A	B
B	C	C	C	C	A	B	A	C	B
D	B	A	B	B	D	D	D	A	B
B	B	A	B	A	D	D	A	C	B
A	C	C	C	D	B	A	B	B	D
D	A	B	B	B	A	A	C	C	C
B	B	C	C	D	A	A	A	C	B
A	C	D	A	D	B	C	C	C	B
B	B	A	D	C	A	D	D	A	

INTERNATIONAL TAXATION

1) Source rule of taxation provides that income is to be taxed :-

a. In the country of residence of taxpayer

b. In the country in which such income originates

c. Both A and B

d. None of the above

2) Residence rule provides that income is to be taxed in the country:-

a. Where the recipient of income is a resident

b. Where it originates

c. Both A and B

d. None of the above

3) Double taxation relief could be :-

a. Bilateral Relief

b. Unilateral Relief

c. Multilateral Relief

d. Both A and B

4) Bilateral relief means a relief in which :-

a. Home country of the taxpayer provides tax relief, where no mutual agreement has been entered into by the two countries for providing relief from double taxation

b. Governments of two countries, enter into an agreement to provide relief against double taxation on mutually agreed basis

c. Both A and B

d. None of the above

5) Unilateral relief means a method of providing relief from double taxation in which :-

a. Home country of the taxpayer provides tax relief, where no mutual agreement has been entered into by the two countries for providing relief from double taxation

b. Governments of two countries, enter into an agreement to provide relief against double taxation on mutually agreed basis

c. Both A and B

d. None of the above

6) Bilateral relief could be provided by way of :-

a. Credit Method

b. Exemption Method

c. Both A and B

d. None of the above

7) In Exemption Method :-

a. Income is taxed in the Country of source and Country of Residence and deduction is provided in other Country

b. Income is taxed in one Country and exempt from tax in the other Country

c. Both A and B

d. None of the above

8) In Tax Credit method :-

a. Income is taxed in Country of source and Country of Residence deduction is provided in other Country

b. Income is taxed in one Country and exempt from tax in the other Country

c. Both A and B

d. None of the above

9) Central Government may enter into an agreement, with the Government of any country outside India u/s 90 for granting relief in respect of :-

a. Income, where income-tax has been paid both in India and in country of residence of taxpayer

- b. Income on which Income-tax is chargeable under the IT Act and under the corresponding law in force in that country**
- c. Both A and B**
- d. None of the above**

10) Where an assessee is eligible to claim the DTAA benefit :-

- a. Provisions of DTAA shall apply to the assessee**
- b. Provisions of Income-Tax Act shall apply to the assessee**
- c. Provisions of DTAA or Income-Tax Act, whichever is more beneficial, shall apply to the assessee**
- d. None of the above**

ANSWERS

- 1) b. In the country in which such income originates
- 2) a. Where the recipient of income is a resident
- 3) d. Both A and B
- 4) b. Governments of two countries, enter into an agreement to provide relief against double taxation on mutually agreed basis
- 5) a. Home country of the taxpayer provides tax relief, where no mutual agreement has been entered into by the two countries for providing relief from double taxation
- 6) c. Both A and B
- 7) b. Income is taxed in one Country and exempt from tax in the other Country
- 8) a. Income is taxed in Country of source and Country of Residence deduction is provided in other Country
- 9) c. Both A and B
- 10) c. Provisions of DTAA or Income-Tax Act, whichever is more beneficial, shall apply to the assessee

Question 1:- The purpose of transfer pricing was to ensure that the profit of a non-tax holiday segment were not -

- (a) Overstated (b) Understated
- (c) A or B (d) Neither A nor B

Question 2:-

Case Study : X Ltd. operates in Country A, wherein the tax rates are 30%. It intends to sell goods costing USD 100 to a customer in Country B for USD 150. To save taxes, X Ltd. incorporated a subsidiary in Country Y, namely Subsidiary C, where tax rate is 10% and sold the goods to C for USD 125, which in turn, sold the goods to buyer in Country B for USD 150.

In such a case, tax will be: –

- (a) USD15
- (b) USD 10
- (c) USD 5
- (d) None of the above

Question 3:- Transfer pricing is, arriving at of the price for goods and services, which are transacted between

- (a) Controlled legal entities within an enterprise
- (b) Independent entities within an enterprise
- (c) Both A and B
- (d) Neither A nor B

Question 4:- Tax planning opportunities arise due to difference in amongst various Countries

- (a) Tax rates
- (b) Tax exemptions
- (c) Both A and B
- (d) Neither A nor B

Question 5:- Transactions between unrelated entities are carried out at -

- (a) Arm's Length Price
- (b) Control Price
- (c) Either A or B
- (d) Both A and B

ANSWERS

- (a) Overstated
- (b) USD 10
- (a) Controlled legal entities within an enterprise
- (c) Both A and B
- (a) Arm's Length Price

Question 1:- Bilateral relief could be provided by way of :-

- (a) Credit Method
- (b) Exemption Method
- (c) Both A and B
- (d) None of the above

Question 2:-

In Tax Credit method :-

- (a) Income is taxed in Country of source and Country of Residence and deduction is provided in other Country
- (b) Income is taxed in one Country and exempt from tax in the other Country
- (c) Both A and B
- (d) None of the above

Question 3:-**In Exemption Method :-**

- (a) Income is taxed in the Country of source and Country of Residence and deduction is provided in other Country
- (b) Income is taxed in one Country and exempt from tax in the other Country
- (c) Both A and B
- (d) None of the above

Question 4:-

Central Government may enter into an agreement, with the Government of any country outside India u/s 90 for granting relief in respect of :-

- (a) Income, where income-tax has been paid both in India and in country of residence of taxpayer
- (b) Income on which Income-tax is chargeable under the IT Act and under the corresponding law in force in that country
- (c) Both A and B
- (d) None of the above

Question 5:-

Where an assessee is eligible to claim the DTAA benefit :-

- (a) Provisions of DTAA shall apply to the assessee
- (b) Provisions of Income-Tax Act shall apply to the assessee
- (c) Provisions of DTAA or Income-Tax Act, whichever is more beneficial, shall apply to the assessee
- (d) None of the above

ANSWERS

1. (c) Both A and B
2. (b) Income is taxed in one Country and exempt from tax in the other Country
3. (a) Income is taxed in Country of source and Country of Residence and deduction is provided in other Country
4. (c) Both A and B
5. (c) Provisions of DTAA or Income-Tax Act, whichever is more beneficial, shall apply to the assessee.

Question 1:- Which of the following treaty is comprehensive DTAA?

- (a) India-Afghanistan DTAA, which has limited Article
- (b) India-Pakistan DTAA, which taxes certain income
- (c) India-Germany DTAA which deal with all income

(d) All of the above

Question 2:- Which of the following treaty would be considered as Limited DTAA?

(a) India-Afghanistan DTAA, which has limited Article

(b) India-Pakistan DTAA, which taxes certain income

(c) India-Singapore DTAA

(d) Both A and B

Question 3:- Select the correct statement from the following?

(a) The Vienna Convention on Law of Treaties provides the basic rules of interpretation, of any international agreement (including a tax Treaty).

(b) India is a signatory to Vienna Convention

(c) It is mandatory for Indian Courts to apply principles given in Vienna Convention while interpreting tax treaties

(d) None of the above

Question 4:- Which of the following articles of Vienna Convention provide for detailed rules of interpretation of tax treaties?

(a) Article 31

(b) Article 32

(c) Article 33

(d) All of the above

Question 5:- What is the principle enshrined in Article 31 of Vienna Convention?

(a) Meaning of any term used in treaty should be taken from domestic laws of source state if its meaning is not provided in such treaty

(b) A Treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to terms of the Treaty in their context and in the light of its object and purpose

(c) Treaty shall not override the provisions of domestic tax laws of Source State

(d) All of the above

ANSWERS

1. (c) India-Germany DTAA which deal with all income

2. (d) Both A and B

3. (a) The Vienna Convention on Law of Treaties provides the basic rules of interpretation, of any international agreement (including a tax Treaty).

4. (d) All of the above

5. (b) A Treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to terms of the Treaty in their context and in the light of its object and purpose.

Question 1:- Which of the following are tax-Avoidance Techniques :-

- (a) Controlled Foreign Company
- (b) Treaty Shopping
- (c) Use of tax havens
- (d) All of the above

Question 2:- Under the “business purpose rule”, taxpayer is required to :-

- (a) Specify business purpose of a transaction
- (b) Justify commercial reasons of entering a particular transaction
- (c) Justify that such transactions are not limited for tax avoidance
- (d) Both B and C

Question 3:- Under the “substance over form rule”:-

- (a) Literal wording of legal provision prevails over economic, or social reality
- (b) Economic, or social reality, should prevail over the literal wording of legal provisions
- (c) Substance of transaction should not get precedence over the form presented in documents
- (d) None of the above

Question 4:- Faces of substance over form rule :-

- (a) Legal v. Economic substance
- (b) Sham transactions
- (c) Wrong Characterization
- (d) All of the above

Question 5:- In a sham transaction:-

- (a) The ‘tax avoiders’ give effect to a transaction, which they do not carry out
- (b) The ‘tax avoiders’ give effect to a transaction, which they do not intend to carry out
- (c) Cover up another transaction
- (d) All of the above

ANSWERS

1. (d) All of the above
2. (d) Both B and C
3. (b) Economic, or social reality, should prevail over the literal wording of legal provisions
4. (d) All of the above
5. (d) All of the above

ADDITIONAL MCQs

1. Surcharge of 10 per cent is payable by an individual where the total income exceeds:

- a) Rs.7,50,000 b) Rs.8,50,000
- c) Rs.10,00,000 d) None of the three

Ans c

2. Additional surcharge (education cess) of 3% per cent is payable on

- a) Income tax b) Income tax plus surcharge
- c) Surcharge d) none of the above

Ans b

3. Family pension received by a widow of a member of the armed forces where the death of the member has occurred in the course of the operational duties, is

- a) Exempt up to Rs.3,00,000 b) Exempt up to Rs. 3,50,000
c) Totally exempt under section 10(19) d) Totally chargeable to tax

Ans c

4. In respect of shares held as investment, while computing the capital gains, securities transaction tax paid in respect of sale of listed shares sold in a recognized stock exchange,

- a) Is deductible up to Rs.1,00,000 b) Is deductible up to Rs.2,00,000
c) Is deductible if C.G.'s is < 5,00,000 d) Is not deductible at all

Ans d

5. Gift of Rs 5,00,000 received on 10 July, 2008 through account payee cheque from a non-relative regularly assessed to income-tax, is

- a) A capital receipt not chargeable to tax
- b) Chargeable as other sources
- c) Chargeable to tax as business income
- d) Exempt up to Rs.50,000 and balance chargeable to tax as income from other source

Ans b

6. The rate of tax that is leivable on STCG arising from transfer of Equity shares of a Company or units of an Equity oriented fund is

- a) 10%** **b) 15%** **c) 20%**

Ans b

7. For an employee in receipt of hostel expenditure allowance for his three children, the maximum annual allowance exempt under section 10(14) is

- a) Rs.10, 800 b) Rs.7,200

- c) Rs.9,600 d) Rs.3,600

Ans b

8. For an industrial undertaking fulfilling the conditions, additional depreciation in respect of a machinery costing Rs.10 lakh acquired and installed on October 3, 2005 is

- a) Rs.75,000 b) Rs.1,50,000
c) Rs.1,00,000 d) None of the above

Ans c

9. Assessee is always a person but a person may or may not be an assessee.

- a) True b) False

Ans a

10. A person may not have assessable income but may still be assessee.

- a) True b) False

Ans a

11. In some cases assessment year and previous year can be same financial year.

- a) True b) False

Ans a

12. A.O.P should consist of :

- a) Individual only
b) Persons other than individual only
c) Both the above

Ans c

13. Body of individual should consist of :

- a) Individual only
b) Persons other than individual only
c) Both the above

Ans a

14. A new business was set up on 15-11-2008 and it commenced its business from 1-12-2008. The first previous year in this case shall be:

- a) 15-11-2008 to 31-3-2009
b) 1-12-2008 to 31-3-2009
c) 2008-2009

Ans a

15. A person leaves India permanently on 15-11-2008. The assessment year for income earned till 15-11-2008 in this case shall be:

- a) 2007-08
- b) 2008-09
- c) 2009-10
- d) none

Ans b

16. Surcharge in case of an individual or HUF for assessment year 2009-10 is payable at the rate of :

- a) 12% of the income-tax payable provided the total income exceed Rs.60,000.
- b) 10% of the income-tax payable provided the total income exceeds Rs.10,00,000
- c) 5% of the income-tax payable if the total income exceeds Rs.8,50,000

Ans b

17. Surcharge in case of a firm for assessment year 2009-10 is payable at the rate:

- a) 2.5% of income-tax payable
- b) 5% of income-tax payable
- c) 10% of income-tax payable

Ans c

18. The maximum amount on which income-tax is not chargeable in case of firm is:

- a) Rs.1,00,000
- b) Rs. 90,000
- c) Nil
- d) none

Ans c

19. The maximum amount on which income-tax is not chargeable in case a co-operative society is:

- a) Rs.50,000
- b) Rs.30,000
- c) Nil
- d) none

Ans c

20. A local authority is taxable at flat rate of income-tax.

- a) True
- b) False

Ans a

21. A co-operative society is taxable at flat rate of 30% on TI.

- a) True
- b) False

Ans b

22. Education cess is leviable @:

- a) 3%
- b) 5%

- c) 2.5% d) none

Ans a

23. Education cess is leviable in case of:

- a) An individual and HUF b) A company assessee only
c) All assesses d) none of the above

Ans c

24. In case of an individual and HUF education cess is leviable only when the total income of such assessee

- a) Exceeds Rs.10,00,000 b) No income limit

Ans b

25. The TI of the assessee has been computed as Rs.2,53,494.90. For rounding off ,the TI will be taken as:

- a) Rs.2,53,500 b) Rs.2,53,490
c) Rs.2,53,495

Ans a

26. Income tax is rounded off to:

- a) Nearest ten rupees b) Nearest one rupee
c) No rounding off of tax is done

Ans a

27. A's TI for the A.Yr.2009-10 is Rs.2,50,000.His tax liability shall be

- a) 10,000 b) 10,300
c) 11,330

Ans b

28. Residential status to be determined for :

- a) Previous year b) Assessment year
c) Accounting year

Ans a

29. Incomes which accrue or arise outside India but are received directly into India are taxable in case of

- a) Resident only b) Both ordinarily resident and NOR
c) Non-resident d) All the assesses

Ans d

30. Income deemed to accrue or arise in India is taxable in case of :

- a) Resident only
- b) Both ordinarily resident and NOR
- c) Non-resident
- d) All the assesses

Ans d

31. Income which accrue outside India from a business controlled from India is taxable in case of:

- a) Resident only
- b) Not ordinarily resident only
- c) Both ordinarily resident and NOR
- d) Non-resident

Ans c

32. Income which accrue or arise outside India and also received outside India taxable in case of:

- a) resident only
- b) not ordinarily resident
- c) both ordinarily resident and NOR
- d) none of the above

Ans a

33. TI of a person is determined on the basis of his:

- a) residential status in India
- b) citizenship in India
- c) none
- d) both of the above

Ans a

34. Once a person is a resident in a P.Y. he shall be deemed to be resident for subsequent P. Yr.

- a) True
- b) False

Ans b

35. Once a person is resident for a source of income in a particular P. Y r. he shall be deemed to be resident for all other sources of income in the same P. Yr :

- a) True
- b) False

Ans b

36. R Ltd., is an Indian company whose entire control and management of its affairs is situated outside India. R Ltd., shall be :

- a) Resident in India
- b) Non-resident in India
- c) Not ordinarily resident in India

Ans a

37. R Ltd., is registered in U.K. The control and management of its affairs is situated in India .R Ltd shall be :

- a) Resident in India
- b) Non-resident
- c) Not ordinarily resident in India

Ans b

38. R, a foreign national visited India during previous year 2008-09 for 180 days. Earlier to this he never visited India. R in this case shall be:

- a) Resident in India
- b) Non-resident
- c) Not ordinarily resident in India

Ans b

39. An Indian company is always resident in India

- a) True
- b) False

Ans a

40. Dividend paid by an Indian company is:

- a) Taxable in India in the hands of the recipient
- b) Exempt in the hands of recipient
- c) Taxable in the hands of the company and exempt in the hands of the recipient

Ans c

41. Agricultural income is exempt provided the:

- a) Land is situated in India
- b) Land is situated in any rural area India
- c) Land is situated whether in India or outside India.

Ans a

42. If the assessee is engaged in the business of growing and manufacturing tea in India ,the agricultural income in that case shall be:

- a) 40% of the income from such business
- b) 60% of the income from such business
- c) Market value of the agricultural produce minus expenses on cultivation of such produce

Ans b

43. Agricultural income is :

- a) Fully exempt
- b) Partially exempt
- c) Fully taxable

Ans a

44. The partial integration of agricultural income, is done to compute tax on:

- a) Agricultural income
- b) non agricultural income
- c) Both agricultural and non agricultural income

Ans b

45. There will be no partial integration of agricultural income with non agricultural income, if the non agricultural income does not exceed:

- a) Rs.1,50,000
- b) Rs. 1,00,000
- c) Rs.1,10,000

Ans a

46. There will be no partial integration, if the agricultural income does not exceed:

- a) Rs.40,000
- b) Rs.50,000
- c) Rs.5,000

Ans c

47. A local authority has earned income from the supply of commodities outside its own jurisdictional area. It is :

- a) Exempt
- b) Taxable

Ans b

48. R, a chartered accountant is employed with R Ltd., as an internal auditor and requests the employer to call the remuneration as internal audit fee. R shall be chargeable to tax for such fee under the head.

- a) Income from salaries
- b) Profit and gains from Business and Profession
- c) Income from other sources.

Ans a

49. R, who is entitled to a salary of Rs.10,000 p.m. took an advance of Rs.20,000 against the salary in the month of March 2009. The gross salary of R for assessment year 2009-10 shall be:

- a) Rs.1,40,000
- b) Rs.1,20,000
- c) None of these two

Ans a

50. A is entitled to children education allowance @ Rs. 80 p.m. per child for 3 children amounting Rs. 240 p.m. It will be exempt to the extent of :

- a) Rs.200 p.m.
- b) Rs.160 p.m.
- c) Rs. 240 p.m.

Ans a

51. R gifted his house property to his wife in 2000. R has let out the house property @ Rs.5,000 p.m. The income from such house property will be taxable in the hands of :

- a) Mrs. R

b) R. However , income will be computed first as Mrs. R's income and thereafter clubbed in the income of R

c) R as he will be treated as deemed owner & liable to tax

Ans c

52. R transferred his house property to his wife under an agreement to live apart. Income from such house property shall be taxable in the hands of :

a) R as deemed owner

b) R. However, it will be first computed as Mrs. R income & Thereafter clubbed in the hands of R

c) Mrs. R

Ans c

53. R gifted his house property to his married minor daughter. The income from such house property shall be taxable in the hands of :

a) R as deemed owner.

b) R. However, it will be first computed as minor daughters income & clubbed in the income of R.

c) Income of married minor daughter.

Ans c

54. A has two house properties. Both are self-occupied. The annual value of

a) Both house shall be nil

b) One house shall be nil

c) No house shall be nil

Ans b

55. An assessee has borrowed money for purchase of a house & Interest is payable outside India. Such interest shall:

a) Be allowed as deduction

b) Not to be allowed on deduction

c) Be allowed as deduction if the tax is deducted at source

Ans c

56. Salary, bonus, commission or remuneration due to or received by a working partner from the firm is taxable under the head.

a) Income from salaries

b) Other sources

c) PGBP

Ans c

57. Perquisite received by the assessee during the course of carrying on his business or profession is taxable under the head.

a) Salary

b) Other sources

c) PGBP

Ans c

58. Interest on capital or loan received by a partner from a firm is:

- a) Exempt U/S 10(2A)
- b) Taxable U/H business and profession
- c) Taxable U/H income from other sources

Ans b

59. Under the head Business or Profession, the method of accounting which an assessee can follow shall be :

- a) Mercantile system only
- b) Cash system only
- c) Mercantile or cash system only
- d) Hybrid system

Ans c

60. An asset which was acquired for Rs. 5, 00, 000 was earlier used for scientific research. After the research was completed, the machinery was brought into the business of the assessee. The actual cost of the asset for the purpose of inclusion in the block of asset shall be :

- a) Rs.5,00,000
- b) Nil
- c) Market value of the asset on the date it was brought into business

Ans b

61. A car is imported after 1- 4- 2005 by R Ltd. from London to be used by its employee. R Ltd. shall be allowed depreciation on such car at:

- a) 15%
- b) 40%
- c) Nil

Ans c

62. Unabsorbed depreciation which could not be set off in the same assessment year, can be carried forward for:

- a) 8 Years
- b) Indefinitely
- c) 4Years

Ans b

63. Certain revenue and capital expenditure on scientific research are allowed as deduction in the previous year of commencement of business even if these are incurred:

- a) Five years immediately before the commencement of business
- b) 3 years immediately before the commencement of the business
- c) Any time prior to the commencement of the business.

Ans b

64. If any amount is donate for research, such research should be in nature of:

- a) Scientific research only b) Social or statistical research only
- c) Scientific or social or statistical research

Ans c

65. Preliminary expenses incurred are allowed deduction in:

- a) 10 equal annual installments b) 5 equal annual installments
- c) full

Ans b

66. In case the assessee follows mercantile system of accounting, bonus or commission to the employee are allowed as deduction on:

- a) Due basis b) Payment basis
- c) Due basis but subject to section 43B

Ans c

67. Interest on money borrowed for the purpose of acquiring a capital asset pertaining to the period after the asset is put to use is to be:

- [illegible]

Ans b

68. Expenditure incurred on purchase of animals to be used by the assessee for the purpose of carrying on his business & profession is subject to

- a) Depreciation
- b) Deduction in the previous year in which animal dies or become permanently useless
- c) Nil deduction

Ans b

69. Expenditure incurred on family planning amongst the employees is allowed to

- a) Any assessee b) A company assessee
- c) An assessee which is a company or cooperative society

Ans b

70. Interest on capital of or loan from partner of a firm is allowed as deduction to the firm to the extent of:

- a) 18% p.a.
- b) 12% p.a. even if it is not mentioned in partnership deed
- c) 12% p.a. or at the rate mentioned in partnership deed whichever is less.

Ans c

71. Deduction under section 40(b) shall be allowed on account of salary /remuneration paid to :

- a) Any partner
b) Major partner only
c) Working partner only

Ans c

72. Remuneration paid to working partner shall be allowed as deduction to a firm:

- a) In full
b) Subject to limits specified in section 40(b)
c) None of these two

Ans b

73. A firm business income is nil /negative. It shall still be allowed as deduction on account of remuneration to working partner to the maximum extent of:

- a) Actual remuneration paid as specified in partnership deed
b) Rs.50,000
c) Nil

Ans b

74. For person carrying on profession, tax audit is compulsory, if the gross receipts of the previous year exceeds:

- a) Rs.50 lakhs
b) Rs.40 lakhs
c) Rs.10 lakhs

Ans c

75. Tax audit is compulsory in case a person is carrying on business whose gross turnover/sales/receipts, as the case may be, exceeds:

- a) Rs. 10 lakhs
b) Rs. 40 lakhs
c) 1 crore

Ans b

76. In case an assessee is engaged in the business of civil construction, presumptive income scheme is applicable if the gross receipts paid or payable to him in the previous year does not exceed:

- a) Rs.10 lakhs
b) Rs. 40 lakhs
c) Rs. 50 lakhs

Ans b

77. In the aforesaid case ,the income shall be presumed to be :

- a) 5% of gross receipts
b) 8% of gross receipts
c) 10% of gross receipts

Ans b

78. In case an assessee is engaged in the business of plying hiring or leasing goods carriage, presumption income scheme under section 44AE is applicable if the assessee is the owner of maximum of :

- a) 8 goods carriages
- b) 10 goods carriages
- c) 12 goods carriages

Ans b

79. In case an assessee is engaged in the business of retail trade, presumptive income scheme is applicable if the total turnover of such retail trade of goods does not exceed:

- a) Rs.10 lakhs
- b) Rs.30 lakhs
- c) Rs.40 lakhs
- d) Rs.50 lakhs

Ans c

80. In the above case the income to be presumed under section 44AF shall be :

- a) 8% of total turnover
- b) 5% of total turnover
- c) 10% of total turnover

Ans b

81. If the assessee opts for section 44AD or 44AF or 44AE, then the assessee shall:

- a) Not be entitled to any deduction under sections 30 to 37
- b) Be entitled to deduction under sections 30 to 37
- c) Not be entitled to deduction under sections 30 to 37 except for interest on capital or loan from partner and remuneration to a working partner subject to conditions laid down under section 40(b)

Ans c

82. The period of holding of shares acquired in exchange of convertible debentures shall be reckoned from:

- a) The date of holding of debentures
- b) The date of when the debentures were converted into shares
- c) None of these two

Ans b

83. Securities transaction tax paid by the seller of shares and units shall

- a) Be allowed as deduction as expenses of transfer
- b) Not be allowed as deduction

Ans b

84. The cost inflation index number of the P.Yr.2008-09 is :

- a) 480
- b) 519

- c) 551 d) 582

Ans d

85. Conversion of capital asset into stock in trade will result into capital gain of the previous year:

- In which such conversion took place
- In which such converted asset is sold or otherwise transferred
- None of these two

Ans b

86. Where a partner transfers any capital asset into the business of firm ,the sale consideration of such asset to the partner shall be :

- a) Market value of such asset on the date of such transfer
- b) Price at which it was recorded in the books of the firm
- c) Cost of such asset to the partner

Ans b

87. Where the entire block of the depreciable asset is transferred after 36 months, there will be:

- a) Short-term capital gain b) Long-term capital gain
- c) Short-term capital gain or loss d) Long-term capital gain or loss

Ans c

88. In the case of compulsory acquisition, the indexation of cost of acquisition or improvement shall be done till the :

- Previous year of compulsory acquisition
- In which the full compensation received
- In which part or full consideration is received

Ans a

89. If good will of a profession which is self generated is transferred, there will:

- a) Be capital gain
- b) Not be any capital gain
- c) Be a short-term capital gain

Ans b

90. Exemption under section 54 is available to :

- a) All assesses**
- b) Individuals only**
- c) Individual HUF.**

Ans c

91. The exemption under section 54 ,shall be available:

- a) To the extent of capital gain invested in the HP
- b) Proportionate to the net consideration price invested
- c) To the extent of amount actually invested

Ans a

92. The exemption u/s 54B, is allowed to :

- a) Any assessee
- b) Individual only
- c) Individual or HUF

Ans b

93. For claiming exemption under section 54B the assessee should acquire:

- a) Urban agricultural land
- b) Rural agricultural land
- c) Any agricultural land

Ans c

94. New assets acquired for claiming exemption u/s 54, 54B or 54D,if transferred within 3 years, will result in:

- a) Short-term capital gain
- b) long-term capital gain
- c) ST or LTCG depending upon original transfer

Ans a

95. Loss from a speculation business of a particular A. Yr. can be set off in the same A. Yr. from:

- a) Profit and gains from any business
- b) Profit and gains from any business other than speculation business
- c) Income of speculation business

Ans c

96. Loss under the head capital gain in a particular assessment year can:

- a) Be set off from other head of income in the same assessment year.
- b) Be carried forward
- c) Neither be set off nor carried forward

Ans b

97. The loss is allowed to be carried forward only when as assessee has furnished:

- a) Return of loss
- b) Return of loss before the due date mentioned u/s 139(1)
- c) Or not furnished the return of loss

Ans b

98. Loss under the head income from house property can be carried forward:

- a) Only if the return is furnished before the due date mentioned u/s 139(1)
- b) Even if the return is not furnished
- c) Even if the return is furnished after the due date

Ans c

99. Deduction u/s 80C in respect of LIP, Contribution to provident fund, etc. is allowed to :

- a) Any assessee
- b) An individual
- c) An individual of HUF
- d) An individual or HUF who is resident in India

Ans c

100. Deduction under section 80C is allowed from:

- a) Gross total income
- b) Total income
- c) Tax on total income

Ans a

101. An assessee has paid life insurance premium of Rs.25,000 during the previous year for a policy of Rs.1,00,000. He shall:

- a) Not be allowed deduction u/s 80C
- b) Be allowed Deduction u/s 80C to the extent of 20% of the capital sum assured i.e. Rs.20,000
- c) Be allowed Deduction for the entire premium as per the provisions of section 80C

Ans b

102. For claiming Deduction u/s 80C, the payment or deposit should be made:

- a) Out of any income
- b) Out of any income chargeable to income tax
- c) During the current year out of any source

Ans b

103. Deduction under section 80C shall be allowed for :

- a) Any education fee
- b) Tution fee exclusive of any payment towards any development fee or donation or payment of similar nature
- c) Tution fee and annual charges

Ans b

104. Deduction under section 80CCC is allowed to the extent of :

- a) Rs. 2,00,000 b) Rs. 1,00,000
- c) Rs. 4,00,000

Ans b

105. Deduction under section 80D in respect of medical insurance premium is allowed to:

- a) Any assessee
b) An individual or HUF
c) Individual or HUF who is resident in India d) Individual only

Ans b

106. Deduction u/s 80D is allowed if the premium is paid to :

- a) Life insurance Corporation
- b) General insurance Corporation or any other insurer approved by IRDA
- c) Life insurance or General insurance corporation

Ans b

107. The payment for Insurance premium under section 80D should be paid:

- a) In cash b) By any mode other than cash
- c) Cash/by cheque

Ans b

108. The quantum of deduction allowed under section 80D shall be limited to:

- a) Rs.20,000 b) Rs.10,000
c) Rs. 15,000

Ans c

109. Deduction U/s 80G on account of donation is allowed to:

- a) A business assessee only b) Any assessee
- c) Individual or HUF only

Ans b

110. The maximum deduction u/s 80GG shall be limited to:

- a) Rs. 1,000 p.m. b) Rs. 2,000 p.m.
c) Rs. 3,000 p.m.

Ans b

111. Deduction u/s 80GGA in respect of certain donation for scientific research or rural development is allowed to:

- a) any assessee
- b) non corporate business assessee
- c) an assessee whose income does not include PGBP income.

Ans c

112. Deduction under section 80DD shall be allowed:

- a) To the extent of actual expenditure/deposit or Rs.40,000 whichever is less
- b) For a sum of Rs.50,000 irrespective of actual expenditure or deposit
- c) For a sum of Rs.40,000 irrespective of any expenditure incurred or actual deposited

Ans b

113. The deduction u/s 80E is allowed for repayment of interest to the extent of :

- a) Rs.25,000
- b) Rs.40,000
- c) Any amount repaid

Ans c

114. The quantum of deduction allowed u/s 80U is :

- a) Rs. 40,000
- b) Rs. 50,000
- c) Rs. 60,000

Ans b

115. As per Sec.139(1), a company shall have to file return of income:

- a) When its total income exceeds Rs.50,000
- b) When its total income exceeds the maximum amount which is not chargeable to income tax
- c) In all cases irrespective of any income or loss earned by it.

Ans c

116. The last date of filing the return of income u/s 139(1) for A. Yr. 2009-10 in case of a company assessee is

- a) 30th November of the assessment year
- b) 30th September of the assessment year
- c) 31st July of the assessment year
- d) 31st October of the assessment year

Ans b

117. The last date of filing the return of income u/s 139(1) for assessment year 2009-10 in case of a non corporate business assessee whose accounts are not liable to be audited shall be:

- a) 31st July of the assessment year
- b) 30th June of assessment year
- c) 31st October of the assessment year
- d) 30th September of the assessment year

Ans a

118. For the P.Y. 2008-09 the business income of the assessee before providing C.Yr. depreciation of Rs. 3,50,000 is Rs. 1,50,000. His due date of return was 30-09-2009 but he submitted the return on 16-12-2009, the assessee in this case:

a) Be allowed to carry forward unabsorbed depreciation of Rs. 2,00,000

b) Not allowed to carry forward unabsorbed depreciation of Rs.2,00,000

Ans b

119. K finds some mistake in the return of income submitted by him on 05-06-2008 for assessment year 2009-10, he wishes to revised such return. No assessment has been done in this case. K can revise such return till:

a) 31-03-2009

b) 31-03-2010

c) 31-03-2011

Ans b

120. Income Tax Act came into force on

A. 01.04.1961

B. 01.04.1962

C. 01.04.1956

D. 01.04.1965

121. Residential status is determined for

A. Previous year

B. Assessment year

C. Accounting year

D. Financial year.

122. How many heads of income are there to compute Gross total income.

A. Six

B. Five

C. Four

D. Three

123. Deduction of tax at source made for incomes which can be calculated in advance is called

A. T.D.S.

B. P.A.S.

C. F.A.S.

D. M.A.S.

124. The number allotted by income tax authorities to assessee for identification and which should be quoted in all documents and correspondence is.....

A. I.D. No.

B. Register No.

C. Permanent Account Number (PAN).

D. License No.

125. Due date of filing of return by a non business assessee is.....

A. 30th June

B. 31st August

C. 30th November

D. 31st July

126. Under the income- tax act, the incidence of taxation depends on

A. The citizenship of the tax-payer.

B. The age of the taxpayer

C. The residential status of the tax-payer.

D. The gender of the taxpayer

127. Income by way of rent of agricultural land is

A. Business income

B. Income from other sources

C. Agricultural income**D. Casual income**

128. The highest Administrative Authority for Income Tax in India is.....

A. Finance Minister

B. CBDT

C. President of India

D. Director of Income Tax.

129. Receipt of amount on maturity of LIC Policy is.....

A. A revenue receipt

B. A capital receipt

C. A casual receipt

D. None of these.

Practice sets'

1. Tax _____ is tax hedging within the frame of law

a. planning b. management c. evasion d. avoidance

2. tax _____ - takes into account the loopholes of law

a. planning b. management c. evasion d. avoidance

3. nature of tax planning includes

a. legal b. moral c. honest effort d. all of these

4. Objective of tax planning is

a. avoidance of tax b. minimize of tax liability
c. payment of tax at time d. different of tax

5. in the tax avoidance, the provisions law

a. not abided b. misused c. wrong interpretation d. all of these

6. causes of tax evasion is

a. higher tax rates b. comples of provisions
c. corruption d. all of these

7. better way of reducing tax liability is

a. tax evasion b. tax avoidance c. tax planning d. both a and b

8. tax planning is done

a. before tax management b. after tac management
c. during tax management d. never

9. tax planning is

a. ethical b. legal
c. both a and b d. noen of these

10. which of the following is not a punishable?

a. tax management b. tax planning
c. both a and b d. none of these

Answer Keys

1=D 2=B 3=D 4=B 5=B 6=D 7=C 8=B 9=C 10=C

POINTS TO REMEMBER

Currency Board : The exchange rate is fixed, with institutional constraints on monetary policy. The monetary authority can only issue domestic money when it is fully backed by inflows on foreign exchange.

Bank Rate : Bank rate is the rate at which the RBI is prepared to buy or rediscount eligible bills of exchange or other commercial papers. In simple words, bank rate is the rate at which RBI extends advances (Credit) to commercial banks.

Repo Rate : Repurchasing option is traded in this market for a short time periods. Repo is Repurchasing by RBI. Repo rate is the discount rate at which banks borrow from

RBI. Reduction in repo rate will help banks to get money at a cheaper rate, while increase in repo rate will make bank borrowings from RBI more expensive. If RBI wants to make it more expensive for the banks to borrow money, it increases the repo rate. Similarly, if it wants to make it cheaper for banks to borrow money, it reduces the repo rate.

Reverse Repo Rate : In a reverse repo transaction, banks purchase government securities from RBI and lend money to the banking regulator, thus earning interest. Reverse repo rate is the rate at which RBI borrows money from banks. Banks are always happy to lend money to RBI since their money is in safe hands with a good interest.

Counter Trade : It is the international exchange of goods and services using barter system.

Fiscal Drag : It is the effect of inflation upon effective tax rate, sometimes the effect of growth in nominal gross domestic product on tax revenue. In other words, fiscal drag is directly related to inflation and tax rates.

Cash Reserve Ratio : It is the % of deposit which a bank has to keep with the central bank of the country (RBI).

Call Money : It is a loan that is made for a very short period of a few days only or for duration of a week. It carries a low rate of interest. In case of a stock exchange market, the duration of call money may be for a fortnight.

CAMELS : The CAMELS rating system is a recognized international rating system that bank supervisory authorities use in order to rate financial institutions according to six factors represented by the acronym "CAMELS" (Capital Adequacy, Asset Quality, Management, Earnings Liquidity and Systems). Supervisory authorities assign each bank a score on a scale, and a rating of one is considered the best and the rating of five is considered the worst for each factor.

Cost-push Inflation : It arises due to an increase in production cost. Such types of Inflation are caused by three factors (i) an increase in wages, (ii) an increase in profit and (iii) imposition of heavy taxation.

Demand-pull inflation : The most common cause of inflation is the pressure of ever-rising demand on a less rapidly increasing supply of goods and services. The expansion in aggregate demand may be the result of rapidly increasing private investment and/or expanding government expenditure for war or for economic development.

Hyperinflation (or) : The main feature of Hyper-Inflation is that money loses almost all of its value. **Galloping Inflation** Prices rise to fantastic levels, and the velocity of circulation becomes enormous, money loses value so rapidly that people are unwilling to hold it for more a few movements.

Capital Widening : It is a phenomenon of growth in which capital to labour ratio is constant. When capital ratio is constant then wage rate is also constant.

Social Dumping : It is a practice of exporting goods from a country where the labours are suppressed and labour cost is low in order to compete in international market.

Deminimus Support : It is a support given by government, which does not fall under green, blue, amber Under WTO box subsidies. They are subject to reduction under WTO.

Debt Swap Scheme : It is a scheme through which farmers get loan from bank with minimum rate of interest to pay back loan from local money center, PNB launched it first.

Administered Price : In which the government decides the price of scarce goods and sell them at price Mechanism less than the cost of its purchase and bears the burden.

Amber Box : It comprises all forms of domestic support deemed to be trade distorting, primarily by encouraging excessive production. It is a market price support mechanism that set no product limit.

Appreciation : When the value of currency rises with respect to another currency is said to have appreciated. It also indicates the increase in value of an asset.

Agri Export Zone : It was setup in EXIM policy 2001-02 for encouraging exports of specific agriculture products from geographically identified areas.

Hard Currency : It refers to the currency of an industrialised country which has general convertibility.

Human Poverty Index : It is brought by UNDP which indicates the extent of deprivation of people in society/country in terms of longevity, literacy and standard of living.

Badla : A carrying forward mechanism wherein only some margin is paid for shared, by the delivery of share and settlement could be carried forward for up to two weeks.

Open economy : Capitalist or mixed/progressive capitalist economy.

Zone Base Budget : A technique where the budget of each ministry is prepared assuming that there was no budget in the previous years.

Lorenz Curve : It is a cumulative frequency curve showing the distribution of a variable such as population against an independent variable such as income. In cumulative % of income less than a given value are plotted against the cumulative % of persons.

Poverty Line : The per capital expenditure on certain minimum needs of a person including food intake of a daily average of 2400 calories in rural areas and 2100 calories in urban areas.

GEM (Gender Empowerment Measure) : Composite index measuring gender inequalities in three basic dimensions of empowerment – economic participation and decision making, political participation and decision making and power over economic resources.

GDP : It is the money value of all the final goods and services produced within the geographical boundaries of the country during a given period of time.

GDP Deflator : The ratio of nominal to real GDP. $\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}}$.

GNP : It is referred to money value of total output or production of final goods and services produced by the nationals of a country during a given period of time.

Core inflation : This nomenclature is based on the inclusion or exclusion of the goods and services while calculating inflation.

ICOR (Incremental Capital Output Ratio) : It refers to the units of capital that have to be employed for raising one unit of output.

CARE : Credit Analysis and Research Ltd. It was started in November 1993. It was set up by IDBI. It assesses the ability and willingness of the issuer company for timely payment of interest and principal on debt instrument.

Capital Receipts : Receipts on which the government has repayment obligations : e.g. government borrowing, disinvestment proceeds etc.

Cartel : An association of producers in a given industry whose purpose is to restrict or bar competition in the industry.

Counter Veiling Tax : It is the duty imposed to raise the price of imported commodity so that it becomes higher than the price of domestic goods. It is also known as counterveiling measure.

Capital Adequacy Ratio : It is the ratio of total capital fund of a bank to its risk weighted assets. It is an indicator of bank's financial health.

Debt Service Ratio : The Ratio of interest and principal payments on debt as a proportion of the country's total export for a particular year is called debt service ratio. $DSR = \frac{\text{Interest} + \text{Principal}}{\text{Export}}$

Dumping : Dumping, in international trade, is the export by a country or company of a product at a price that is lower in the foreign market than the price charged in the domestic market. As dumping usually involves substantial export volumes of the product, it often has the effect of endangering the financial viability of manufacturers or producers of the product in the importing nation. Dumping is also a colloquial term that refers to the act of offloading a stock with little regard for its price.

Technology Index : Based on observed data and survey results, the index measures the value of technology in a country. It takes into account country's involvement in innovation and import of technology from abroad.

ICRA : Investment Information and Credit Rating Agents of India Limited. It was established in 1991. It primarily rates short, medium and long debt instruments. But, since 1995 it has been doing equity rating also.

Structural Inflation : When there is a short supply of the commodity, prices rise rapidly. It is temporary structure shortage in economy. It is also called bottleneck inflation.

Soft Currency : A currency with limited convertibility into gold and other currencies either because it is depreciating due to balance of payment deficit or because it cannot have been placed on it.

Specific Tax : It is a tax imposed on the basis of quantity, volume, weight, etc. of a commodity.

Special Economic Zone : Introduced in the EXIM policy of 2000-01 with a view to provide internationally competitive and hassle free environment for export. They are free from taxes and duties. Such area is considered as foreign territory for the purpose of trade operations and tariffs.

Service Area Approach : Under this scheme, branches of commercial banks were allotted certain specific semi-urban and rural areas. These branches were made more responsible for overall development of prescribed areas. It was implemented in 1989.

Stagflation : Stagflation occurs when inflation rises while output is either falling or at least not rising.

Hedge Funds : They are basically private investment pools for wealthy, financially sophisticated investors. Traditionally they have been organised as partnership, with the general partner managing the funds portfolio.

Mutual Funds : Funds set up on the principal of pooled risk and pooled resources with the purpose of giving them the benefits of share market without exposing individually to the volatility of share market.

Venture Capital : Risk capital is called venture capital.

Participatory notes : These are notes issued by FIIs and some of the Indian based foreign banks.

CAPART : The Council for Advancement of People's Action and Rural Technology. It is autonomous organization under the Ministry of Rural Development set up in 1986 as a supporting and funding agency to the voluntary organization.

VAT : Value Added Tax is a multi-point destination based system of Taxation, with Tax being levied on value addition or each stage of transaction in the production of claim.

GDR/ADR : Global Deposit Receipts are popularly known as Euro issues i.e. shares of Indian companies sold in the European market. When these shares of Indian companies are sold in the US capital market they are called as American Deposit Receipts.

Black-Sholes Formula : It is a formula used to establish a fair price for options in financial markets.

Blue Book : It is an annual digest published by the UK office of National Statistics containing the national income and expenditure statistics of the UK.

Swap : A transaction in which securities of a certain value are sold to a buyer in exchange for the purchase from the buyer of securities having the same value. The purpose being to obtain an improvement, in the eyes of either of the parties, in the quality of the security or to anticipate a change in yield. Currencies as well as securities are swapped in this way.

Tap Issue : An issue of treasury bills to government departments and others at a fixed price without going through the market, as distinct from a tender issue.

Tax Avoidance : Arranging one's financial affairs within the law so as to minimize taxation liabilities as opposed to tax evasion, which is failing to meet actual tax liabilities through, for example not declaring income or profit.

Tax Base : The quantity or coverage of what is Taxed.

Taylor Rule : A simple rule for setting interest rates with a view to keeping inflation stable.

Tied Loan : These are loans made on condition that certain purchases are made from the Lender.

Tournament theory : The piece of economic thinking that suggests rewards can usefully be based upon the relative performance of economic agents, rather than on their absolute performance.

Turnover Tax : A tax levied as a proportion of the price of a commodity on each sale in the production and distribution chain all so called as cascade tax. Such a tax encourages vertical integration.

Undated Securities : These are securities not bearing a redemption date or option hence irredeemable securities.

Unemployment trap : The existence of social security benefits for the out of work that erode an incentive for the unemployed to take a job.

Visible Balance : The balance of payments in visible trade (imports and exports).

Voting Shares : Equity shares entitling holders to vote in the election of directors of a company. Normally all ordinary shares are voting shares, but sometimes a company may create a class of non-voting ordinary shares.

Yield Curve : A graphical representation of the relationship between the annual return on an asset and the number of years the asset has to run before expiring. Long term assets usually offer some premium over shortterm ones and yield curves, thus typically slop upwards.

Zero sum game : A game in which one players gain is equal to other player's losses.

Window Dressing : Financial adjustments made solely for the purpose of accounting presentation normally at the time of auditing of company accounts.

Money in Circulation : It is the money in use to finance current transactions as distinct from idle money.

Poverty Gap : It is calculated as the total shortfall of consumption below the poverty line, divided by the total population. This per capital shortfall in consumption below the poverty line is then expressed on a percentage of the poverty line.

Poverty Gap Index : $\text{Poverty ratio} \times (\text{Poverty line} = \text{per capita conception of the poor}) / \text{poverty link} \times 100$.

Merchant Banking : It is an activity under which a bank take up portfolio management (Banks advising their clients about management of fund) as well as banker to the issue of the company.

Tobin Tax : The tax foresighted by James Tobin. It is a tax that should be imposed on portfolio capitals, so that when a foreign investor wants to take out this investment he has to pay tax, which is expected to discourage the tendency to move from one country to another in search of quick gains.

Greshem's Law : It states that bad money (Black Money) pushes good money (White Money) out of circulation.

Phillips Curve : The relationship between the percentage change of money wage and the level of unemployed is called as Phillips curve. The lower the unemployment, the higher will be the rate of change of wages.

Plan Holidays : It refers to a period which is not covered in any five year plan (period between 1966 to 69 between 3rd and 4th Five Year Plan).

Fringe Benefit : Fringe benefits are the low or no tax benefits that companies offer to attract employees in addition to the normally taxed salaries, such as free transportation, health cover, etc.

Exim Bank : It is established for financing, facilitating and promoting foreign trade in India.

External Commercial Borrowings (ECB) : It is an additional source of funds to Indian corporate and PSU's for financing expansion of existing capacity as well as for fresh investment, augmenting the resources available domestically.

Zero Coupon Bonds : Zero Coupon Bonds (also called as pure discount bonds) are bonds that pay no periodic interest payments or so called 'Coupons'. Zero coupon bonds are purchased at a discount from their value at maturity. The holder of a Zero Coupon bond is entitled to receive a single payment, usually of a specified sum of money at a specified time in future. Investors earn interest via difference between the discounted price of the bond and its par (or redemption) value.

Sovereign Wealth Fund : It is state owned fund composed of financial assets such as stocks, bonds, property or other financial investment.

Green Field Investment : In software engineering jargon Greenfield is a project which lacks any constraints imposed by prior work. The image is that of construction on Greenfield land. Where there is no need to remodel or demolish an existing structure.

Brown Field Investment : Those facilities which are modified/ upgraded are called Brown Field Projects.

Goods and Services Tax : Goods and Services Tax (GST) is a part of the proposed tax reforms that center round evolving an efficient and harmonized consumption tax system in the country. Presently there are parallel systems of indirect taxation at central and state levels. Each of the systems needs to be reformed to eventually harmonize team.

Subprime Crisis : The sub prime mortgage financial crisis of 2007 was a sharp rise in home fore closures which started in the US during the fall of 2006 and become a global financial crisis within a year.

Competition Act : In 1980, the aforesaid act was passed to withdraw all such restrictions to that retarded competition. So as to encourage a better and effective utilization of the sources and to lower the cost of production and to raise the quality of the produce.

Asian Development Bank : Set up in 1966 under the recommendation of United Nation Economic Commission for Asia and Pacific. The bank was formed with two fold objectives:

- To inculcate cooperation in the Asia Pacific.
- To accelerate the pace of economic development of the regions developing countries.

Crawling Peg : Crawl is a slow movement. When small exchange adjustments in external value of currency of a country is made to rectify and under or over valuation of the home currency in terms of a given foreign currency, it may be called as crawling peg.

GDI (Gender Related Development Index) : It is a composite index measuring average achievement in the 3 dimensions captured in the Human Development Index.

- A long and healthy life.
- Knowledge and decent standard of living.
- Adjusted to account for inequalities between men and women.

Gini-coefficient : It represents the measurement of inequality derived from the "Lorenz curve". With every increase in the degree of inequality, the curvature of the Lorenz curve also increase and the area between the curve and 45° line becomes larger.

The Gini – coefficient is measured as $G = \frac{\text{Area between Lorenz-curve \& } 45^\circ \text{ line}}{\text{Area above the } 45^\circ \text{ line}}$.

Laffer Curve : This curve is given by American economist Prof. Arthur Laffer. It represents relationship between total tax revenue and corresponding tax rate.

Quantitative Restrictions : It is the quantitative limits placed on the importation of specified commodities. For protection, the quota is more certain than a tariff in its effects on the quantity of imports.

Open Market Operations : The buying and selling of securities in the open market by a central bank for the purpose of curtailing or expanding the volume of credit. By selling securities the central bank can absorb funds, and buying the securities can release funds also into the market.

Investment Bank : It is a Bank that provides long term fixed capital for industry, generally by taking up shares in limited companies.

Regional Rural Bank : It was established in 1975 under the provision of RRB Act 1976, with a view to develop rural economy.

Factoring : The business in which a firm takes over the collection of trade debts on behalf of others, thereby enabling them to obtain insurance against bad debts. It is a service primarily intended to meet the

needs of small and medium-size firms. The procedure is for the factoring company to buy up its clients invoices and then itself claim payment of them.

Social Overhead Capital : The capital where the emphasis is on the capital assets that provide the services: house, bridges, roads, railways, school, etc.

Special Drawing Rights : The Special Drawing Rights is an international financial assets created by IMF and serves as an international unit of account. A means of payment amount certain eligible official entities.

Futures : Contracts made in a future market for the purchased or sale of commodities on a specified future date. Futures provide a convenient mechanism for holding market risk. Future market forms an important part of many organized commodity exchange or market.

Lead Banking Scheme : Under this scheme all the nationalized banks and few private sector banks were allowed specialized and were asked to play the "Lead Role". The lead banks act as a leader to bring about co-ordination of cooperative banks, commercial banks and other financial institutions in their respective demises to bring about rapid economic development.

Industrial Finance Corporation of India: It was set up by Government of India in 1948 July under a special act. The scheduled banks, insurance companies, investment and cooperative banks are share holder of IFCI, to provide medium and long term credit to industry.

Primary Deficit : Primary deficit = Fiscal deficit – interest payment. Fiscal deficit is budgetary deficit + market borrowings and other capabilities of the government of India.

FEMA : Foreign Exchange Management Act was introduced in July 1998 in the Parliament to repeal FERA 1973. Under FEMA, 1999 provisions related to foreign exchange have been modified and liberalized so as to simplify foreign trade and payments.

Footloose Industry : These industries are mobile industry which are not based in a particular area and can be seen anywhere for performing their activities.

CENVAT : In Union Budget 200-01 major overhaul at the central excise system was undertaken with innovation of a uniform 16% basic central value added tax (CENVAT) at production stage.

MODVAT : Tax is levied on final goods and tax on inputs and intermediate goods was abolished. This amended system excluded the possibilities of Double Taxation. It was introduced on the recommendation of L.J. Jha Committee in 1976.

Golden Hand Shake : It is a voluntary retirement scheme (VRS) in Industrial Policy Resolution 1991. For reducing the pressure of employees on public sector enterprises.

Free on Board : A term given to the system of paying for goods shipped from or to another country when the amount is sufficient only to cover the value of the goods and excludes insurance and freights.

Exit Policy : It is a part of liberalization policy adopted by the government. It was adopted in 1991 which aimed at closing down the sick and inefficient industries and making hand shakes with excess employees so as to reduce the financial burden on the economy.

Essential Commodities Act (1955): This act was introduced for ensuring supply of essential commodities to the consumers at fair prices and to save them from sellers exploitation.

LIBOR : It is London Inter- Bank Offered Rate, an interest rate at which banks can bestow funds, in marketable size, from other banks in London inter bank market.

Frictional Employment : Temporary unemployment caused by incessant changes in the economy. It takes time, for example for new workers to search among different job possibilities, even experienced workers often spend a minimum period of unemployment time moving from one job to another.

Underwriting : Underwriting is the business of insuring against risk.

NSDL : It is the first registered depository in India set up in November 1996 and has been promoted by IDBI, UTI and NSE.

CDSL : Central Depository Services Limited's main function is the holding securities either in certified or uncertified form to enable book entry transfer of securities.

MAT (Minimum Alternative Tax): MAT is a tax on companies making high profits and declare dividends to their shareholders out have no significant taxable income because of exemptions, deductions and incentives.

NCDEX : National Commodity Derivatives Exchange. It is the largest commodity futures exchange.

Buy Back of Shares : Various individuals, financial institutes, directors of the company hold company shares. This indicates the ownership of the company, when a company is allowed to buyback its shares. It means it is increasing its ownership.

Exempt-Exempt Tax : The contributors will be excluded from income for tax purpose; the accruals will also be exempted from tax; and only the terminal benefits will be at the applicable rate in year or receipt.

Screen Based Book : Where securities are auctioned through an anonymous screen based system, and the price of which securities are sold is discovered in screen. This eliminates the delays, risks and implementation difficulties associated with traditional procedures.

Book Building : This is the first draft or preliminary prospect, which carries the information of the company and the project.

Presumptive Tax : It refers to the use of appropriate indicators of income, wealth, etc. instead of actual records of the tax bases. In case of income tax, a presumptive tax is imposed on the basis of an estimated taxable income.

Cross Subsidy : The government purchases at a lesser cost and sells at a higher cost, like petrol. In this system government is the sole purchaser of the goods.

Monetised Deficit : The budget deficit can be financed in two ways. Either borrowing from the public or by borrowing from the RBI. When it is financed through borrowing from the RBI, it is called monetised deficit. In other word, it is increase in the net RBI credit to the Government.

Performance Budget : It emphasizes on the purpose at expenditure rather than the expenditure itself. It presents budget in terms of functions, programmes, activities and projects.

Current Daily Status : It considers the activity status of a person for each day of the preceding seven of Unemployment days. A person who works for one hour but less then 4 hours is considered having worked for half a day. If he works for 4 hours or more during a day, it is considered whole day.

Sunrise Industries : Industries in the forefront of development which have immense future potential. e.g. IT, Biotechnology, Pharma.

Second Green Revolution : It aims at efficient use of resources and conservation of soil, water and ecology on sustainable basis and in a holistic framework.

Green Index : It is measure of nation's wealth by using produced assets, natural resources and human resources, each being allocated specific value to see whether the development is sustainable or not.

Universal Banking : It is a banking scheme according to which conduction of all financial activities under one roof by a bank or financial institution occurs. In other words, this means integration of roles of bank and other development banks.

MIGA : It is set up in 1988 as an agency of the World Bank whose purpose/objective is to protect the interest of the foreign investors operating in a country against non – commercial risks (communal riots, natural calamities, etc) due to which property of foreign investors may be destroyed.

Penny Stocks : Penny stocks are securities or stocks which are sold by smaller new companies. They are generally sold because companies are seeking money for expansion, basic operations, and even for the commencement of business.

Sub-Prime Loans : It is also called as 'B' loans or second chance loans, originated to borrowers who do not qualify for market interest rates because of problems in their credit history.

Wind Fall Tax/ : Tax on sudden profit or high profit i.e petroleum industry, etc.

Inclusive Growth : Faster economic growth is also transferring into more inclusive growth, both in terms of employment generations and poverty reduction.

Rural Infrastructure : It was set up under NABARD in 1995-96. Its main function is to improve rural Development Fund roads and bridges, to remove inter regional, rural - urban or inter-state disparities (RIDF) to help the new agriculture policy to release more than 4% growth rate.

Micro Finance : Financial services offered to rural and urban poor. Its include insurance, credits and savings.

Inflation Targeting : It is the goal of RBI, where RBI focuses on maintaining prices at a certain level or within a specific range. This helps in expectation building by economic agents.

Headline Inflation : It is a inflation which includes commodities such as food and energy prices which tend to be much more volatile and prone to inflationary spikes.

Duty Drawback Scheme : It is a scheme in which exporter are allowed to drawback the duties (customs duty, service tax, etc) as a part of an incentive to increase exports.

Counter Guarantee : It is given by an economic agent, the another agent will oblige the contract signed with the 3rd party.

Demographic Dividend : It is being enjoyed by India and if it is not managed properly it become demographic nightmare. It is when the countries working population (16-64year of age) is very large when compared to rest of the population.

Devaluation : In a fixed exchange rate system, when the country decide to reduce the value of its currency in comparison with foreign currency is known as devaluation. India devalued its currency in the past. It increase exports and reduces imports.

Export Pessimism : It happens when the government in not confident of getting sufficient amount of exports to finance its imports. India followed during the earlier days of planning era.

Capital Deepening : It is when capital to LIBOR ratio increase in a country, it helps in economic development of the country.

Carbon tax : It is tax on emission. New Zealand introduced it first.

Oil Bonds : The bonds issued by Government of India to oil marketing companies to overcome their losses. It is a way of transferring burden of subsidy on the future generations.

Derivative Trading : It is trading on claims, on claims on real producers.

Double Taxation : Tax imposed twice on same product or service. VAT is introduced in order to avoid double taxation.

Special Purpose Vehicle : It is introduced outside control and obligation of the government involved in setting up of new firms like DMRC. SPV is used by government in order to enhance public private partnership (PPP).

Soft Loan : It is given by IDA to under developed country for long duration and zero interest.

Demonetisation : When the society starts using less of currency for transaction with deepening of the financial system. Demonetisation takes place.

Procurement Price : It is final price a company pays for procuring goods. It includes insurance transportation in addition to the production cost.

Over Heating of Economy : When the supply is not able to keep phase with demand, it is as called over heating of economy. It leads to inflation and shortage goods.

Investment Led Growth : It is growth of which a major portion of demand comes from investment. India is facing balanced growth.

Export Led Growth : When exports are a major reason of growth. China and ASEAN tigers are facing export-led growth.

Currency Future : Where in a contract is made between two parties, in which a party agrees to buy or sell a fixed amount of currency at fixed foreign exchange at a later date. It reduces currency volatility rise for both the parties.

Financial Inclusion : Delivering financial services (savings, insurance, credit) to the deprived section at an affordable cost. Microfinance, SHG and post office schemes are all examples for financial inclusion.

EXCHANGE RATE AND DEVALUATION

Devaluation means reduction in the external value of the domestic currency while internal value of the domestic currency remains constant. A country goes for devaluation of its currency to correct its adverse Balance of Payment (BOP). If a country is experiencing an adverse Balance of Payment (BOP) situation then it has to devalue its currency so that its export gets cheaper and import became costlier.

Meaning of Exchange Rate: Exchange rate means the price of a nation's currency in terms of another currency. The market in which the currencies of various countries are exchanged, traded or converted is called the foreign exchange market.

Exchange rate can be of three types:

1. **FLOATING EXCHANGE RATE**
2. **FIXED EXCHANGE RATE**
3. **MANAGED EXCHANGE RATE**

○ **Floating Exchange Rate:** The system of exchange rate in which the value of a currency is allowed to adjust freely or to float as determined by demand for and supply of foreign exchange.

○ **Fixed Exchange Rate:** If the exchange rate is being determined by the government not by the demand and supply forces, it is called fixed exchange rate.

- **Managed Exchange Rate:** In this kind of system exchange rate is partially allowed to fluctuate, government don't allows fluctuation more than 1 to 3 percent. So in this system exchange rate is neither fixed nor free.

PAR VALUE SYSTEM: Under this system (1947-1971), each member of IMF undertook to maintain the par value of its currency in terms of gold or the U.S. dollar.

- After gaining independence, India followed the par value system of the IMF. On 15th August 1947 the exchange rate between Indian rupee and US Dollar was equal to one (i.e., 1 \$= 1 Indian Rupee).
- In terms of currencies, the exchange rate was pegged to pound sterling at Rs. 13.33 or Rs. 4.75/dollar in Sept. 1949. This was remained unchanged till June 1966, when the rupee was devalued by 36.5% to Rs. 21/pound or 1\$ = Rs. 7.10. This system continued till the 1971, when the Bretton woods system collapsed with the suspension of convertibility of the dollar by the USA.

Why value of Indian currency declined against US dollar:

- **LACK OF FUND IN THE HANDS OF THE GOVERNMENT:** At the time of independence, there were no outside loans on the balance sheet of India. But when British departed from India, Indian economy paralyzed in the absence of capital formation and proper planning. In the situation of wealth crunch, Prime Minister Nehru adopted model of five year plans from Russia. Between 1950s to 1960s, Indian government continuously borrowed foreign money in the form of loan. Now the exchange rate became 1\$= Rs.4.75
- **WAR WITH CHINA AND PAKISTAN:** Indian government was facing budget deficit and was in a state that it could not borrow more additional loan from outside due to negative rate of savings. India- China war of 1962, Indo-Pakistan war of 1965 and huge drought in 1966, crippled the production capacity of the Indian economy so inflation increased in the economy.
- **NEEDED TECHNOLOGY** To increase the domestic production scenario, Indian government needed technology, to have technology and to tackle higher inflation and to open the Indian economy for foreign trade, government devalued external value of rupee
- **POLITICAL INSTABILITY AND OIL SHOCK OF 1973:** Oil shock of 1973 caused when the Organization of Arab Petroleum Exporting Countries (OAPEC) decided to cut the crude oil production which further increased the oil import bill. So to pay this import bill India borrowed foreign currency which reduced the value of Indian currency. Assassination of P.M. Indira Gandhi also reduced the confidence of foreigners in the Indian economy. Hence all these cases bring the exchange rate at USD = 12.34 INR in 1985 and in the 1990 it became to 1 USD = 17.50 INR.
- **ECONOMIC CRISIS OF 1991:** It is claimed as the toughest time for Indian economy. During this phase fiscal deficit was 7.8 % of GDP, interest payment was eating 39% of the total revenue collection of the government, Current Account Deficit (CAD) was 3.69% of GDP and WPI inflation was hovering around 14%, India was about to be declared defaulter by the international community. So to tackle all these problems government devalued Indian currency again and the exchange rate became 1 USD = 24.58 INR
- **OTHER REASONS:** Experts are saying that the value of Indian rupee has not depreciated but in fact the value of Dollar has appreciated due to expectations against US that US Federal Bank might increase the interest rates. Other reason includes...
 - Inelastic import bill of petroleum products
 - Import of gold in huge quantity
 - Import of luxury goods
 - Nuclear test: Pokhran-II
 - Asian financial crisis of 1997
 - Global Financial slowdown of 2007–08
 - European sovereign-debt crisis (2011)

MIBOR : Mumbai Inter Banking Operative Rate.

Market Capitalisation : Total value of the equity in the present market price is called market capitalization.

Insider Trading : When insider (managers, directors, others) have more information of the companies performance than the external share holders. And they use it to make a profit is called insider trading. It is banned in India by SEBI.

Multi Commodity Exchange (MCE) : The trading happening in papers instead of commodities in physical. The largest MCX is in Ahmedabad.

Dalit Budgeting : It is like that of gender budgeting where in an analysis made on how much resources are allocated for the deprived section in planning, implementation and post-implementation analysis.

Double Taxation Avoiding Agreement : When two countries have an agreement to avoid the tax on same goods is called Double Taxation Avoiding Agreement.

Non Tax Receipts : It is revenue receipts of government of India from social services and taxes like dividend from PSU's, interest on loan given to states and other agencies, fees provided for services, **etc.**

Non Debt Capital : The capital receipts of Government of India agencies which are non debt in nature like selling of PSU's, foreign aids.

Priority Sector Lending : It is lending to some particular sector at lower interest rate. RBI orders all public sector banks to give 18% of credit to priority sector.

Index of Industrial Production : It is used to measure the growth rate of industry in India. It is the weighted average of mining, manufacturing and electricity.

Tariff Binding and WTO : The maximum Tariff, which country can impose on imports. Indian tariff rates are much below than the binding rate which are prescribed for developing countries.

Special Safeguard Measure Under WTO : It is a mechanism which allows developing countries to impose tariff, when the price of agriculture commodities falls by a certain percentage. The amount of percentage is bone of contention in WTO, between India and western countries. India says 10% fall and West says 40% fall.

Counter Trade : It is exchange in goods and services that are paid for other goods and service. i.e. Barter System, Switch Trading, Buy Bank, Off set.

Bandwagon Effect : It is an observation of people to do and believe, what other people do.

Back Wash Effect : Where in people move from poorer region to richer (Industrial) region, which will undercut the industry and development of poorer region.

EPCG Scheme : It is Export Promotion Capital Goods (EPCG) scheme, where in capital goods is imposed 5% rate for export purpose. If the capital is imported for agriculture exports then it is zero percent (0%).

Underlying Inflation : Measure of headline inflation after the removal of volatile items.

Selective Credit Controls : Under the Banking Regulation Act 1949, section 21 empowers RBI to issue directives to the banking companies regarding their advance in order to check speculation and rising prices. The controls are selective as they are used to control and check the rising tendency of price and hoarding of certain individual commodities of common use.

Pump Priming : The infusion of small amounts of government spending into a depressed economy with the aim of boosting business confidence and encouraging large scale private sector investment.

Advalorem : In this case the duty is imposed on the basis of value of the product.

Arbitrage : The act of buying a currency or a commodity in one market and simultaneously selling it for a profit in another market.

Amortization : It refers to repayment of loan principle.

Merit Goods : All essentials like elementary education, environment, roads, bridges, food control, research related to agriculture, space, atomic energy, primary health and infectious diseases.

Demerit Goods : A demerit good is defined as a good which can have negative impact on the consumer – but these damaging effects may be unknown or ignored by the consumer. Demerit goods also usually have negative externalities – where consumption causes a harmful effect to a third party.

Misery Index : Index combining unemployment rate and inflation rate. It is measured for practical significance of condition of economy, as well as consumer confidence.

Minimum Export Price : MOP as floor prices and are fixed by government in the nature of long term guarantee for investment decision of procedures, with the assurance that price of their commodities would not be allowed to fall below the level fixed by the government even in case of bumper crops, at present 24 crops covered in MSP.

Millennium Development Goals : Adopted by U.N. General Assembly in 2000; it prescribes the goal to achieve by year 2015. It has 8 goals to be achieved.

Economic Integration : Economic integration is an economic arrangement between different regions marked by the reduction or elimination of trade barriers and the coordination of monetary and fiscal policies. The aim of economic integration is to reduce costs for both consumers and producers, as well as to increase trade between the countries taking part in the agreement. **The different forms are:**

- Free Trade Area : A group of countries committed to removing all barriers to the free flow of goods and services between each other, but pursuing independent external trade policies.
- Customs Union : Form of regional economic integration that combines features of free trade area with common trade policies toward non-member countries.
- Economic Union : A group of countries committed to removing trade barriers, adopting a common currency, harmonizing tax rates, and pursuing a common external trade policy
- Political union : Economic and political integration whereby countries coordinate aspects of their economic and political systems.

DEMONETISATION. It refers to the decision of RBI/Government to recall the status of a currency note to be used as a legal tender. Usually all the currencies issued by RBI can be used as a legal tender as the value they carry is promised by RBI and once the value has been demonetized/recalled/revoked, the currency note cannot be used. In short demonetization of currency means discontinuity of the particular currency from circulation and replacing it with a new currency.

The government's stated objective behind the demonetization policy are as follows;

- It is an attempt to make India corruption free.
- It is done to curb black money,
- To control escalating price rise,
- To stop funds flow to illegal activity,
- To make people accountable for every rupee they possess and pay income tax return.
- It is an attempt to make a cashless society and create a Digital India.

GST GOODS AND SERVICES TAX

➤ GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017

- In simple words, Goods and Service Tax is an indirect tax levied on the supply of goods and services. GST Law has replaced many indirect tax laws that previously existed in India.
- Under the GST regime, the tax will be levied at every point of sale. In case of interstate sales, Central GST and State GST will be charged. Intra-state sales will be chargeable to Integrated GS
- The GST journey began in the year 2000 when a committee was set up to draft GST Law. It took 17 years from then for the Law to evolve. In 2017 the GST Bill was passed in the Lok Sabha and Rajya Sabha. On 1st July 2017 the GST Law came into force
- In 2003, THE KELKAR TASK FORCE on indirect tax had suggested a comprehensive Goods and Services Tax (GST) subsuming central, state taxes, and interstate taxation based on VAT principle.
- A proposal to introduce a National level Goods and Services Tax (GST) by April 1, 2010 was first mooted in the Budget Speech for the financial year 2006-07.
- Since GST involves reform/ restructuring of not only indirect taxes levied by the Centre but also the States, an Empowered Committee of State Finance Ministers (EC) was constituted for designing a road map for the same.
- The first attempt to pass GST was made in 2011 by introducing the Constitution (115th Amendment) Bill in the Lok Sabha, which lapsed due to dissolution of 15th Lok Sabha.
- The Bill was again introduced as **122nd constitution amendment bill** and now stands passed by both Lok Sabha and Rajya Sabha.
- GST will subsume most (not all) of the indirect taxes imposed by central and state governments. Here's a list of taxes subsumed in GST:

1. Central Excise Duty
2. Additional Excise Duty
3. Excise duty levied under Medicinal & Toiletries Preparation Act
4. Additional Custom Duties i.e. CVD & SAD (**Basic Custom Duties** have been kept **outside** GST)
5. Service Tax
6. Surcharge & Cesses (however, **cess has been imposed on some goods** under GST)
7. State VAT/ Sales Tax
8. Central Sales Tax
9. Purchase Tax
10. Entertainment Tax (other than those **levied by local bodies**)
11. Luxury Tax
12. Entry Tax
13. Taxes on lottery, Gambling & betting

- As far as VAT is considered, GST will replace VAT on all goods except Petroleum products, electricity and alcohol for human consumption.
- Service Tax has been completely subsumed in GST.

NATIONAL INCOME

ionalIncome is the total value of all final goods and services produced by the country in certain year. The growth of National Income helps to know the progress of the country.

In other words, the total amount of income accruing to a country from economic activities in a year's time is known as national income.

1 Gross Domestic Product (GDP) GDP Is an estimated value of the total worth of a country's production and services, within its boundary, by its nationals and foreigners, calculated over the course on one year.

Four things must be noted regarding this definition.

First, it measures the market value of annual output of goods and services currently produced. This implies that GDP is a monetary measure.

Secondly, for calculating GDP accurately, all goods and services produced in any given year must be counted only once so as to avoid double counting. So, GDP should include the value of only final goods and services and ignores the transactions involving intermediate goods.

Thirdly, GDP includes only currently produced goods and services in a year. Market transactions involving goods produced in the previous periods such as old houses, old cars, factories built earlier are not included in GDP of the current year.

Lastly, GDP refers to the value of goods and services produced within the domestic territory of a country by nationals or non-nationals.

2 Gross National Product (GNP) An estimated value of the total worth of production and services, by citizens of a country, on its land or on foreign land, calculated over the course on one year.
Therefore,

$$\text{GNP} = \text{GDP} + \text{Net factor income}$$

Net factor income from abroad = factor income received by Indian nationals from abroad – factor income paid to foreign nationals working in India.

3 Net National Product (NNP) at Market Price NNP is the market value of all final goods and services after providing for depreciation. That is, when charges for depreciation are deducted from the GNP we get NNP at market price. Therefore'

$$\text{NNP} = \text{GNP} - \text{Depreciation}$$

Depreciation is the fall in the value of fixed capital due to wear and tear.

4 Net National Product (NNP) at Factor Cost (National Income):

(factor cost) cost of an item of goods or a service in terms of the various factors which have played a part in its production or availability, and exclusive of tax costs

NNP at factor cost or National Income is the sum of **wages, rent, interest and profits** paid to factors for their contribution to the production of goods and services in a year. It may be noted that:

$$\text{NNP at Factor Cost} = \text{NNP at Market Price} - \text{Indirect Taxes} + \text{Subsidies.}$$

5 Personal Income: Personal income is the sum of all incomes actually received by all individuals or households during a given year.

In National Income there are some income, which is earned but not actually received by households such as Social Security contributions, corporate income taxes and undistributed profits.

On the other hand there are income (transfer payment), which is received but not currently earned such as old age pensions, unemployment doles, relief payments, etc.

Thus, inmoving from national income to personal income we must subtract the incomes earned but not received and add incomes received but not currently earned.

Therefore, Personal Income = National Income – Social Security contributions – corporate income taxes – undistributed corporate profits + transfer payments.

6 Disposable Income: From personal income if we deduct personal taxes like income taxes, personal property taxes etc. what remains is called disposable income.

TAXES IN INDIA

- Taxes in India are levied by the Central Government and the state governments.
- Some minor taxes are also levied by the local authorities such as the Municipality.
- Article 265 of the Indian Constitution: "No tax shall be levied or collected except by the authority of law"

Direct and Indirect Taxes

- The most fundamental classification of taxes is based on who collects the taxes from the taxpayer.
- Direct Taxes, as the name suggests, are taxes that are directly paid to the government by the taxpayer. It is a tax applied to individuals and organizations directly by the government.
- Indirect Taxes are applied to the manufacture or sale of goods and services. These are initially paid to the government by an intermediary, who then adds the amount of the tax paid to the value of the goods/services and passes on the total amount to the end user.
- Article 246 of the Indian Constitution, distributes legislative powers including taxation, between the Parliament of India and the State Legislature. Schedule VII enumerates these subject matters with the use of three lists:
 - List – I entailing the areas on which only the parliament is competent to make laws,
 - List – II entailing the areas on which only the state legislature can make laws, and
 - List – III listing the areas on which both the Parliament and the State Legislature can make laws upon concurrently.

Distribution of Revenues Between Union And States

- There are few Articles in the Indian Constitution which specifically focuses on the distribution of revenues.
- Article 268: Duties levied by the Union but collected and appropriated by the States:
- Article 268-A: Service tax levied by Union and collected and appropriated by the Union and States:
- Article 269: Taxes levied and collected by the Union but assigned to the States:
- National Emergency and Tax Sharing Under Article 358(b), Parliament can make a law to impose tax and duties even though not in union list and under

What are different Types of Taxes in India?

- There are two types of taxes viz. Direct and Indirect Taxes.
- The Direct taxes are paid directly by the tax payer (individuals and the companies) while indirect taxes are paid while purchasing goods and services.
- Examples of Direct Taxes are Corporate Tax, Personal Income Tax, Securities Transaction Tax, Banking Cash Transaction Tax, Fringe Benefit Tax etc. Examples of Indirect taxes are Sales Tax, Service Tax, Custom and Excise Duties, VAT, Anti-Dumping Duties, Good and Services Tax etc.

Apart from the above conventional taxes, there are also **other taxes** imposed for a particular objective or agenda. Such taxes are called wachh Bharat Cess tax, Krishi Kalyan Cess tax, and infrastructure Cess tax among

EXAMPLES OF TAXES

Direct Taxes

- Income Tax
- Corporate tax
- Capital Gains Tax
- Securities Transaction Tax
- Perquisite Tax
- Wealth Tax

Indirect Taxes

- Goods & Services Tax
- Sales Tax
- Services Tax
- Value Added Tax
- Custom Duty and Octroi

Other Taxes

- Professional Tax
- Entertainment Tax
- Municipal Tax
- Various Kinds of Cess

others.

INCOME TAX- Tax levied directly on income

- A capital gain refers to profit that results from a sale of a capital asset, such as stock, bond or real estate, where the sale price exceeds the purchase price.
- Perquisites are benefits received by a person as a result of his/her official position and are over and above the salary or wages. These fringe benefits or perquisites can be taxable or non-taxable depending upon their nature.

A lot of benefits and perks which come in addition to an individual's salary are grouped under fringe benefits or perks. These components are taxed separately from the employer's account so as to maintain transparency and accountability.

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- A *wealth tax* (also called a *capital tax* or *equity tax*) is a levy on the total value of personal assets, including: bank deposits, real estate, assets in insurance and pension plans, ownership of unincorporated businesses, financial securities, and personal trusts.
- *Goods and Services Tax (GST)* is an indirect tax levied in India on the sale of goods and services.

VAT:

- Uniform rates are applicable to goods in the tax system. For example, televisions of a particular brand sold in West Bengal will have the same VAT as those sold in Himachal Pradesh unless controlled by the respective state governments

- VAT is levied at successive stages of production and distribution of goods and services
- It is collected at each stage of sale of goods and as such the end user does not need to pay the whole VAT amount

SUBSIDY

- A **subsidy** is a form of financial aid or support extended to an economic sector (or institution, business, or individual) generally with the aim of promoting economic and social policy.
- A sum of money granted by the state or a public body to help an industry or business keep the price of a commodity or service low.
- The most common forms of subsidies are those to the producer or the consumer. Producer/production subsidies ensure producers are better off by either supplying market price support, direct support, or payments to factors of production. Consumer/consumption subsidies commonly reduce the price of goods and services to the consumer. For example, in the US at one time it was cheaper to buy gasoline than bottled water

TYPES

1) **Production subsidy**

- A production subsidy encourages suppliers to increase the output of a particular product by partially offsetting the production costs or losses.
- The objective of production subsidies is to expand production of a particular product more so that the market would promote but without raising the final price to consumers.
- This type of subsidy is predominantly found in developed markets.
- Other examples of production subsidies include the assistance in the creation of a new firm

2) **Consumer/consumption subsidy**

- Consumption subsidy is one that subsidises the behaviour of consumers.
- This type of subsidies are most common in developing countries where governments subsidise such things as food, water, electricity and education on the basis that no matter how impoverished, all should be allowed those most basic requirements.
- For example, some governments offer 'lifeline' rates for electricity, that is, the first increment of electricity each month is subsidised.

3) **Export subsidy**

- An export subsidy is a support from the government for products that are exported, as a means of assisting the country's balance of payments.

4) **Employment subsidy**

- With an employment subsidy, the government provides assistance with wages.
- Another form of employment subsidy is the social security benefits. Employment subsidies allow a person receiving the benefit to enjoy some minimum standard of living.

5) **Tax subsidy**

- Government can create the same outcome through selective tax breaks as through cash payment. For example, suppose a government sends monetary assistance that reimburses 15% of all health expenditures to a group that is paying 15% income tax. Exactly the same subsidy is achieved by giving a health tax deduction. Tax

subsidies are also known as tax expenditures.

5) Transport subsidies

- Some governments subsidise transport, especially rail and bus transport which decrease congestion and pollution compared to cars. Eg. In the EU, [rail subsidies](#) are around €73 billion and in China they reach \$130 billion.

INDIAN SUBSIDIES

➤	Region	➤	Social security program	➤	Billion Rupee	➤	Billion US\$
➤	Pan India	➤	Total subsidy for FY-2013-14 (approx)	➤	3,600	➤	60.00
➤	Pan India	➤	Food Security (PDS) (subsidy)	➤	1,250	➤	20.83
➤	Pan India	➤	Petroleum (subsidy)	➤	970	➤	16.17
➤	Rural	➤	Fertilizer (subsidy)	➤	660	➤	11.00
➤	States	➤	Various programmes of state govts (subsidy/non-subsidy)	➤	600	➤	10.00

NOTE: Currently NABARD is administering the subsidy under various schemes of Government of India as given below:

SOME OTHER SUBSIDY SCHEMES :

1. Centrally Sponsored Scheme – Subsidy For Organic Farming and Production of Bio-fertilizers
2. Centrally Sponsored Scheme For Setting Up Of Rural Godowns and Storage Infrastructure (In Hindi and English)
3. Centrally Sponsored Scheme for Agricultural and Marketing Infrastructure Upgradation
4. Capital Investment Subsidy Scheme for Setting Up Of Agriclincs and Agribusiness Centers
5. Warehouse Infrastructure Fund For Construction of Cold Storages, Warehouses, Silos and other Cold Chain Infrastructure.
5. Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM)
7. Scheme for promotion of Women SHGs (WSHG) in backward & LWE districts of India (Complete Guidelines)
3. Capital Subsidy Scheme for Technology Up-gradation of Micro & Small Enterprises
9. Long Term Irrigation Fund For Farmers To Build Irrigation Canals
10. National Livestock Mission for rearing of Pigs, Poultry, Buffalos and Rabbits.
11. Funding For Setting Up Food Processing Units and Food Parks (Loans and Subsidy Available – Download PDF Brochure)
12. Capital Subsidy-cum-Refinance Scheme for Installation of Solar Off-grid
13. GoI Scheme – DAIRY ENTREPRENEURSHIP DEVELOPMENT SCHEME (Information in Hindi and English)

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COMMERCE

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MANAGEMENT

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